

Pension administration strategy of the Surrey Pension Fund

Introduction

The Local Government Pension Scheme (LGPS) is one of the largest public sector pension schemes in the UK. The Surrey Pension Fund (SPF) is part of the LGPS and is the Administering Authority for almost 300 employers in the scheme.

The LGPS is a valuable element of the total remuneration package of employees working with employers in the scheme. Good quality administration and communication of the overall benefits of the LGPS aids in the confidence of membership towards the scheme and in their value of this employee benefit.

The LGPS Regulations 2013 enables the Administering Authority to prepare a written Pension Administration Strategy (the Strategy) of its policy in relation to communications between and levels of performance for both the SPF and employers within the scheme.

This Strategy replaces the current Pension Administration Strategy with effect from [] and applies to all existing employers in the Fund, and all new employers joining the Fund after the effective date of [].

The Strategy sets out the expected levels of administration performance of both the SPF and the employers within the Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

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The Strategy is broken in to nine sections:

1. Regulatory context of the Strategy
2. Aims of the Strategy
3. Service standards of the SPF
4. Requirements for scheme employers
5. Outline of additional administration charges
6. Additional fees that may be charged by the Orbis Pension Administration Team (Orbis)
7. Additional penalties for poor performance by employers
8. Penalties for poor performance by Orbis
9. Consultation and review

Surrey County Council has delegated responsibility for the management of the SPF to the SPF Committee (Committee), taking into consideration advice from the Surrey Local Pensions Board (Board). The Committee and Board will monitor the implementation of this Strategy. Any enquiries in relation to this Strategy should be addressed to:

John Smith (Pensions Governance and Employer Manager)
Surrey Pension Fund
Room G59
County Hall
Penrhyn Road
Kingston upon Thames
KT1 2DN
Tel: 020 8213 2700
Email: john.smith@surreycc.gov.uk

1. The Regulatory Context of the Strategy

In accordance with the Public Sector Pensions Act 2015, the LGPS is regulated by the Pensions Regulator (tPR). The SPF and scheme employers and employers are also required to comply with regulatory guidance or Code of Practice issued by tPR.

The Local Government Pension Scheme Regulations 2013 (**Regulation 59 (1)**) enables a LGPS Administering Authority to prepare a written statement of the Administering Authority's policies in relation to such matters mentioned in **Regulation 59 (2)** that it considers appropriate. This written statement shall be known as the "Pension Administration Strategy" and shall include the following:

- Procedures for liaison and communications between the Administering Authority and Scheme Employers ("its Scheme Employers);
- The establishment of levels of performance which the Administering Authority and its Scheme Employers are expected to achieve in carrying out their Scheme functions ("Service Level Agreements (SLA)"). These functions are:
 - (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
- Procedures which aim to secure that the Administering Authority and its Scheme Employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;
- Procedures for improving the communications by the Administering Authority and its Scheme Employers to each other of information relating to those functions;

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- The circumstances in which the Administering Authority may consider giving written notice to any of its Scheme Employers under these regulations (additional costs arising from the Scheme Employer’s level of performance) on account of that employer’s unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under the SLA;
- The publication by the Administering Authority of annual reports dealing with:
 - (i) the extent to which the Administering Authority and its Scheme Employers have achieved the level of performance established under the SLA;
 - (ii) such other matters arising from The Pension Administration Strategy as the Administering Authority considers appropriate.
- Such other matters as appear to the Administering Authority after consulting its Scheme Employers and such other persons as it considers appropriate, to be suitable for inclusion in The Pension Administration Strategy.

In addition **Regulations 59 (3 -7)** requires that:

- Where the Administering Authority produces a Pension Administration Strategy, it is kept under review and revised where appropriate;
- When reviewing or revising the Pension Administration Strategy the Administering Authority must consult with its Scheme Employers and such other persons it considers appropriate;
- Where the Administering Authority produces a Pension Administration Strategy or revises that strategy it must send a copy of it to each Scheme Employer and to the Secretary of State;

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- The Administering Authority and Scheme employers must have regard to the Pension Administration Strategy when carrying out functions under the LGPS regulations.
- **Regulation 60** requires each employing authority to publish its discretion on;
 - funding additional pension [16(2)(e) and 16(4)9d),
 - flexible retirement [30(6)],
 - waiving actuarial reductions [30(8)],
 - the award of additional pension [31] and, in addition,
- **Regulation 14 of the Local Government (Discretionary Payments)(Injury Allowances) Regulations 2011** requires employers to publish and keep under review its policy on these regulations.
- There are also a number of discretionary discretions under the current regulations and some mandatory discretions under previous sets of regulations.
- The Pension Fund Team can provide template discretion policies upon request.

Regulation 70 of the Local Government Pension Scheme Regulations 2013 enables the Administering Authority to recover additional costs from a Scheme Employer when, in the opinion of the Administering Authority, it has incurred additional costs because of the poor performance of the Scheme Employer in relation to the Pension Administration Strategy SLA.

The Administering Authority may give written notice to the Scheme Employer stating:

- the Administering Authority's reasons for forming the opinion;
- the amount the Administering Authority has determined the Scheme Employer should pay under **Regulation 69 (1) (d)** in respect of those costs and the basis on which the specified amount is calculated;
- the provisions of the Pension Administration Strategy which are relevant to the decision to give the notice.

2. Aims of the strategy

The aims of the Strategy are to:

- set out the quality and performance standards expected of the Fund and scheme employers;
- to promote good working relationships and improve efficiency between the SPF and scheme employers;
- ensure scheme employers are aware of and understand their roles and responsibilities under the LGPS regulations;
- ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time;
- maintain accurate records and ensure data is protected and has authorised use only;
- ensure that the administration costs attributable to scheme employers are charged proportionately .

The efficient delivery of the benefits of the scheme is reliant upon effective administrative procedures being in place between the SPF and scheme employers.

This Strategy sets out the expected levels of performance of the SPF and scheme employers and the action(s) that might be taken where standards are not met by employers and/or when non-compliance occurs. It also provides scheme employers with an outline of administration charges they may occur in addition to the administration allowance contained in the employer contribution rate.

3. Service standards of the SPF

Overriding legislation, including The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended), dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. Further, the LGPS itself sets out a number of requirements for the Administering Authority or employers to provide information to each other, to scheme members and to prospective scheme members, dependants, other pension arrangements or other regulatory bodies. In addition to the legal requirements, SPF has performance standards which cover all aspects of the administration of the SPF.

The SPF service standards are reviewed by the Pensions Fund Committee, Local Pensions Board and are available for consideration by tPR. Regular reporting is undertaken, and performance is also shown in the SPF annual report and accounts. The following sets out the SPF key performance indicators.

Activity	Description	Service standards	Limits
New starter	When Orbis receives electronic/paper notification of the new starter. They will verify the information, set up a new record and send confirmation to the new member.	30 working days	No
Inter fund adjustment in estimate	Check previous service recorded on starter form and write to previous provider(s) if a transfer has been requested	20 working days	No

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Activity	Description	Service standards	Limits
Inter fund adjustment in actual	Check correct payment has been received, update database and issue statutory notice.	20 working days	No
Transfer in estimate	Check previous service details and offer member the option to transfer and advise of timescales	20 working days	No
Transfer in actual	Check correct payment has been received, update database and issue statutory notice	20 working days	No
Additional Pension Contributions Actual	Update database and inform payroll of the additional pension contribution deduction to be made	20 working days	No
Additional Voluntary Contributions	Provide information on the Fund's AVC schemes	10 working days	No
Nomination Forms	Update database and send acknowledgement	20 working days	No
Member correspondence	Reply to member query	20 working days	No
Employer correspondence	Reply to employer query	20 working days	No
Employee Estimates	Estimate of deferred benefits and/or voluntary retirement for age 60 and over	30 working days	One estimate per member per annum (consider increasing – this is the bare minimum)

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Activity	Description	Service standards	Limits
Employer estimate	Provide employer with estimate as requested ¹	10 working days	More than five estimates per employer will require additional time, to be agreed with the SPF.
Refunds (Frozen Refunds)	Calculate refund due and issue payment	20 working days	No
Opt outs	Provide a memo to payroll to cease contributions and inform the member accordingly	20 working days	No
Deferred	Calculate final pay for surrey members, deferred benefits and issue confirmation to all members	2 months	No
Inter Fund Adjustment Out Estimate	Provide service and pay details to new employer	20 working days	No
Inter Fund Adjustment Out Actual	Issue payment	20 working days	No
Provide estimate of transfer value	Provide transfer details	40 working days	1 per member per year (consider increasing – this is the bare minimum)

¹ Scheme employers are encouraged to utilise the on-line self-service estimate portal. This will provide instant estimate results.

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Activity	Description	Service standards	Limits
Make payment of transfer value	Issue payment	20 working days	No
Death in service	Send condolence letter, request certificate and enclosed any claim forms	5 working days	No
Death in service final letter	Provide details of deceased salary for Surrey members, monies due to/from the estate, calculation of any spouse's and dependants benefits, send letter and make payment of any death grant	10 working days	No
Death of deferred member initial	Send condolence letter, request certificates and enclosed any claim forms	5 working days	No
Death of deferred member final	Provide details of any benefits due and make payment of death grant	10 working days	No
Deferred in to payment	Send initial letter and forms to member	10 working days	No
Retirement	Calculate final pay for Surrey members, retirement benefits and send initial letter and forms to all members	15 working days	No
Payment of retirement grant and initiate pension.	Issue payment of retirement grant and initiate payroll record	15 working days	No
Revised Payments including Guaranteed Minimum Pensions/Modifications	Inform the member of any adjustments to the pension in payment and update payroll entry	20 working days	No

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Activity	Description	Service standards	Limits
Death on pension	Terminate payment, send condolence letter, request certificate and enclosed any claim forms	5 working days	No
Death on pension final letter	Provide details of deceased's pension, monies due to/from the estate and spouse's/dependants benefits	10 working days	No
Complaints		All complaints to be dealt with in line with the additional criteria	No
Employer forums seminars	Employer forum hosted by the SPF	Annually	Yes – limited to one per year. Further seminars will be chargeable.
Requests for legislative or regulatory advice	Employer email bulletins where appropriate	TBC	Advice outside of regular bulletins will be chargeable at the prevailing SPF officer rates. (Surely Orbis should provide basic advice and even

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Activity	Description	Service standards	Limits
			relatively complex advice as standard. Otherwise, employers will simply go to the LGA instead).
Follow-up to all member queries not answered within SLA	Email / letter to update member	10 working days	
Pension payments	Monthly payment of regular pensions.	Paid on the final Thursday of each month	
Annual benefit statements	Provision of an annual benefit statement for all active and deferred pension members	By 31 August following the end of year	
Pension Saving Statements	Provision of an pension saving statement for active and deferred pension members who exceed the Annual Allowance limit	By 6 October each year	

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4. Requirements for scheme employers

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the LGPS. In addition, regulatory guidance sets out a number of requirements for the SPF and scheme employers to provide information.

Under this Strategy scheme employers will be responsible for the following activities in the manner and timescale set out below and the potential consequence of failing to meet these service standards.

Activity	Timescale	Potential consequence of breach
Dedicated employer contact	The Scheme Employer should notify the SPF of a dedicated pension liaison contact within 1 month of the adoption of the Pension Administration Strategy.	The SPF will regularly check that contacts are up to date. The failure to appoint a dedicated employer contact will make failure of performance SLAs more likely.
Discretions policy	The Scheme Employer should provide the SPF with a copy of their Discretions Policy by 1 st July 2014, or within 1 month of the date of the Scheme Employer's entry in the SPF.	The provision of a discretions policy is a legal requirement. The SPF will chase receipt of this policy and charge at the prevailing SPF officer rates.
Payment of monthly contributions	Correct payments should be made to the SPF by the 19 th (21 st for electronic payments) of the month following deductions of pension contributions by the scheme employer (monthly payroll run).	Late payments will incur a charge of £50 plus interest per day. Interest on late payments becomes due with effect from 1 month following the required payment date. Interest is calculated at 1%

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Activity	Timescale	Potential consequence of breach
		above the Bank of England base rate on a daily basis.
Payment of capital sums(* include footnote)	Correct capital sums should be made to the SPF within 30 days of being invoiced. These may relate to pension strain costs or fees for work in relation to the charges due to the SPF.	Late payments will incur a charge of £50 plus interest per day. Interest on late payments becomes due with effect from 1 month following the required payment date. Interest is calculated at 1% above the Bank of England base rate on a daily basis.
Monthly contribution schedule	A monthly contribution schedule should be sent to the SPF before or at the same time as the monthly contribution. The schedule should be sent electronically and in the format requested by the SPF.	The provision of a monthly contribution schedule is essential to the correct calculation of member benefits. The SPF will chase receipt of the monthly contribution schedule and charge at the prevailing SPF officer rates.
End of year processing	An end of year data return should be sent to the SPF within 30 days of the end of the scheme year (31 March). The schedule should be in the format requested by the SPF and be 100% accurate.	The provision of an annual statement is essential to the correct calculation of member benefits. The SPF will chase receipt of the end of year returns. Any additional administration work incurred by the SPF as a result of late or inaccurate submissions will be charged at the prevailing SPF officer rates.
Correct admission of members in to the SPF	The Scheme Employer must ensure that members are correctly admitted to the SPF.	In cases where an employer has incorrectly admitted an employee into the SPF where they were not eligible to be in this Fund, the SPF will correct this error. Any additional administration

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Activity	Timescale	Potential consequence of breach
		work incurred by the SPF will be charged at the prevailing SPF officer rates.
Notification of new starters	The Scheme Employer should notify the SPF of a new starter within 30 days of their joining the pension scheme.	The provision of new starter information is essential to the correct calculation of member benefits. Any additional administration work incurred by the SPF will be charged at the prevailing SPF officer rates.
Notification of leavers	The scheme Employer should notify the SPF of a new leaver within 30 days of their leaving the pension scheme.	The provision of leaver information is essential to the correct calculation of member benefits. Any additional administration work incurred by the SPF will be charged at the prevailing SPF officer rates.
Notification of retirements	The Scheme Employer should notify the SPF of a retirement initially in advance of the retirement date and provide final confirmation within 10 days of their last day of service.	The provision of retirement information is essential to the correct calculation of member benefits. Any additional administration work incurred by the SPF will be charged at the prevailing SPF officer rates.
Notification of relevant changes	The Scheme Employer should notify SPF of any relevant changes within 30 days of the change.	The provision of employment change information is essential to the correct calculation of member benefits. Any additional administration work incurred by the SPF will be charged at the prevailing SPF officer rates.
Appoint an Independent Registered Medical Practitioner (IRMP) in order	The Scheme Employer should appoint an IRMP. The appointment must be approved with the SPF.	The nomination of an IRMP is a legal requirement.

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Activity	Timescale	Potential consequence of breach
to consider all ill-health retirement applications		
Appoint a “nominated adjudicator” as part of the stage 1 internal dispute resolution procedure (IDRP)(add footnote re AA offer)	The scheme Employer should appoint a “nominated adjudicator” as part of the stage 1 IDRP within 1 month of the date of the Scheme employer’s entry in the SPF. Or within 1 month of the resignation of an existing “nominated adjudicator”.	The nomination of a “nominated adjudicator” as part of the stage 1 IDRP is a legal requirement.
Comply with auto-enrolment legislation as required by the Pensions Regulator	From the Scheme Employer’s auto-enrolment staging date.	Compliance with auto-enrolment legislation is a legal requirement, with non-compliance punishable by the Pensions Regulator

5. Outline of additional administration charges

The following scheme functions are outside of the work covered by the administration allowance as part of the employer contribution rate (this can often be because the charges relate to employers who are yet to be admitted to the SPF). These fees will be payable by scheme employers and are generally related to actuarial, legal or administration costs.

Activity	Description	Indicative charge	Comments
New employer processing	Assessment of contribution rate of the new scheme employer	According to the prevailing rates of the SPF actuary	Costs will increase if there are delays in providing data or date

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requires recalculation

Assessment of the bond value of the new scheme employer (if applicable)

According to the prevailing rates of the SPF actuary

Costs will increase if there are delays in providing data or date requires recalculation

Assessment of the cost attributable to pension risk (if applicable)

According to the prevailing rates of the SPF actuary

Costs will increase if multiple calculations are required

Drafting and executing of admission agreements (if applicable)

According the prevailing rates of the SPF legal advisers

Costs will increase according to the complexity of the negotiated drafting of the admissions agreement

Admission administration costs

Charged at the prevailing SPF officer rates (estimated £1,000).

Costs will increase according to the complexity of the negotiated admission to the SPF. Costs will incurred irrespective of whether or not the applying Scheme Employer abandons the application.

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<p>Re-assessment of the bond value of the new scheme employer</p>	<p>The SPF will re-assess bond values in line with the conditions laid out in the admissions agreement.</p>	<p>According to the prevailing rates of the SPF actuary</p>
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Reports for scheme employer FRS102/IAS19 returns	The SPF will complete a pension data report required for scheme employer FRS102/IAS19 accounting returns.	Administration charge of between £200 and £400 plus VAT. Any further charge would be in accordance with the prevailing rates of the Fund actuary
General actuarial queries	Additional actuarial queries in relation to the scheme employer	According to the prevailing rates of the SPF actuary
General legal queries	Additional legal queries in relation to the scheme employer	According to the prevailing rates of the SPF legal advisers
Pension strain costs	A pension strain cost may be incurred by the scheme employer where a member retires early on the grounds of redundancy or business efficiency or where an active member or deferred member chooses to retire early and the scheme employer elects to waive the actuarial reduction to their pension.	The SPF will calculate the strain cost. Payment will be due as a lump-sum payment within 30 days of being invoiced in line with the PAS Service Level Agreement. Costs are based on age, gender, service and pay of the member.

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<p>Valuation of unfunded liabilities</p>	<p>Calculation and invoicing of unfunded liabilities relating to additional pension benefits awarded to employees which do not form part of their entitlement under the LGPS Regulations.</p>	<p>Annual administration charge of £250.</p>
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<p>Costs of awarding additional pension</p>	<p>The scheme employer may elect to award additional pension to a member. This will incur a charge.</p>	<p>The SPF will calculate the cost. Payment will be due as a lump-sum payment within 30 days of being invoiced in line with the PAS Service Level Agreement.</p>
<p>Cessation costs</p> <p><i>These costs are in addition to any cessation deficit payment required in accordance with the Funding Strategy Statement</i></p>	<p>The Scheme Employer will incur a cost if they cease membership of the SPF.</p>	<p>Charged at the prevailing SPF actuary's rates (approximately £3,000 plus VAT)</p> <p>Further charge is according to the prevailing rates of the Fund actuary</p> <p>The SPF approach to Scheme Employer cessation is laid out in the Funding Strategy Statement.</p>

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Provision of stage 1 Internal Dispute Resolution Procedure (IDRP) adjudication	The Scheme Employer will incur an administration fee if they nominate the SPF as their stage 1 IDRP adjudicator.	Charged at the prevailing SPF officer rates (not exceeding £500.00 except in the most complicated cases).	Costs will increase according to the complexity of the case.
Establishment of security for the Fund	The Scheme Employer will incur a cost of establishing a form of security required by the Fund; e.g. a legal charge, Bond or Escrow account.	Administration charge of £500. Further charge in according to the prevailing rates of the SPF actuary and legal advisers.	
Covenant assessment	The Scheme Employer will incur a cost of the Fund carrying out a covenant assessment of the Scheme Employer to establish risk assurance.	Administration charge of £500. Further charge is according to the prevailing rates of the SPF covenant advisers (approximately £10,000, depending on circumstances).	

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6. Additional fees that may be charged by the Orbis Pension Administration Team

Activity	Description	Indicative charge	Comments
Pension sharing on divorce pension in payment CEV (pensioners)	Charges may be levied for CEVs because they are not part of business as usual.	Charge of £117	
Pension sharing on divorce implementing a pension sharing order	Charges may be levied for CEVs because they are not part of business as usual.	Charge of £643	
Additional cash equivalent transfer values (CETVs)	Charges may be levied for additional CETVs because they are not part of business as usual.	1 free and then charge of £117 for any additional quotation	

7. Additional penalties for poor performance by employers

Activity	Description	Indicative charge	Comments
Failure to provide end of year returns in good time	This prevents the Pension Section from producing annual benefit statements, delays the processing of pension benefits and hinders the smooth administration of the pension scheme and runs the risk of incurring substantial fines from the Pensions Regulator.	A penalty of £5,000 will be payable if the end of year return is received later than 30 th June as it may be too late to produce an annual benefit statement (they must be sent out by 31 st August).	
Failure to provide monthly contribution returns in good time	This is dealt with in requirements for scheme employers (above).		
Failure to initiate an admission agreement or arrange alternative pension arrangements before a contract is let.	This leads to great uncertainty for the members being transferred and a considerable amount of additional work for the Pension Fund Team.	A penalty of up to £2,000 depending upon the severity of the delay.	

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Failure to pay pension strain costs in good time.	This is dealt with in requirements for scheme employers (above).	
Pension recharges that are late for any reason.	As the payments are made from the pension fund the pension fund suffers if it is not reimbursed promptly.	Interest at 1% above base rate from the date the payment fell due. This provides modest protection for the pension fund without being too onerous for employers.

8. Penalties for poor performance by the Orbis Pensions Administration Team

Activity	Description	Indicative charge	Comments
Failure to self-calculate a contribution rate within 10 working days.	This can lead to uncertainty for the employees being transferred and additional work for the Pension Fund Team.	A penalty of up to £500.00 depending the severity of the delay.	
Failure to provide membership data for new academies within 15 working days.	This can lead to uncertainty for employers and additional actuarial fees for the Pension Fund Team.	A penalty of up to £500.00 depending the severity of the delay.	
Failure to provide membership data for exiting employers 15 working days.	Failure to provide this information in good time can lead to a breach of the law, reputational damage for the pension fund and generate considerable additional work for the Pension Fund Team.	A penalty of up to £1,000.	
Failure to produce papers for the Local	This makes the board roles harder, leads to additional work for the Pension Fund	A penalty of up to £500 per paper.	

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<p>Pension Board, Local Firefighters Board and Pension Fund Committee within the deadlines.</p>	<p>Team and undermines effective scrutiny.</p>	
<p>Failure to provide the pension strain costs flowing from early retirements to the Pension Fund Team.</p>	<p>The consolidated schedule for the quarter must be provided within ten working days of the end of the quarter. Any delay can lead to a serious loss of investment returns.</p>	<p>A penalty of up to £1,000 in addition to any other penalties payable, depending upon the severity of the delay.</p>
<p>Failure to recharge the Compensation / Crombie / Injury award costs flowing from the payment of compensation benefits.</p>	<p>The consolidated schedule for the month must be produced within ten working days of the end of the month. Any delay can lead to a serious loss of investment returns.</p>	<p>A penalty of up to £1,000 in addition to any other penalties payable, depending upon the severity of the delay.</p>

9. Consultation and review

In preparing this administration strategy statement the SPF will consult with Scheme Employers. The consultation period will be from 23 December 2019 to 31 January 2020.

Thereafter, the Strategy will be reviewed as when required (at least in line with each triennial valuation).

All Scheme Employers will be consulted before any changes are made to the Strategy.

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