

Appendix I



ADMINISTRATION STRATEGY

2016/17



1. Introduction

- 1.1 The London Borough of Barking and Dagenham Pension Fund (“the Fund”) is a Local Government Pension Scheme (LGPS), which is administered by the London Borough of Barking and Dagenham (“the Council”). This Administration Strategy (“AS”) has been produced to outline the roles and responsibilities of the key parties in the Fund.
- 1.2 Charging for outsourcing payroll for Local education authority (LEA) schools is being introduced to cover the additional administration costs incurred by the pension section but also to bring the Fund in line with a number of other LGPSs.
- 1.3 Charging for delays in submitting key returns and for not providing details of changes to member details in a timely manner has been introduced as a small number of employers consistently miss deadline dates for submission of monthly and annual returns. In addition employers are failing to advise the pension section of changes to member details in a timely manner.
- 1.4 Given the increased emphasis, by the Pensions Regulator, on maintaining accurate and up-to-date records, the Fund will seek to significantly improve this area to prevent any possible fines that could be imposed.
- 1.5 A charge will be levied on employers who do not provide returns in the prescribed proforma, which can be found in appendix 2 and 3. This charge has been introduced to cover the additional costs of reformatting the various returns. Standardising returns will improve the level of analysis of the returns data, allowing for issues to be flagged immediately. It will also allow the Fund to adapt to potentially significant increase in the number of employers brought about by the increase in Academies and outsourcing of services.
- 1.6 The AS outlines the Key Performance Targets that the Pension Fund Administration section is expected to meet and quarterly and annual performance reports will be produced and reported to the Pension Panel and Pension Board.
- 1.7 Subject to agreement by the Pension Panel, the AS will be effective from 1 January 2015. The AS will go to the October Pension Board for discussion and a draft version will be sent to all employers and schools for consultation in November 2015. The final version of this document will be taken to the December Pension Panel for approval.
- 1.8 The ability to charge will be in place from 1 January 2016 but the pension administration section will look to support employers make the necessary adjustments.

2. Roles and Responsibilities

2.1 Below are the responsibilities of the key stakeholders affected by the AS:

2.2 ADMINISTERING AUTHORITY: the Council is responsible for the following areas:

- Pensions Administration and valuations;
- Notification of Regulations and production of Policy Statements;
- Reporting Requirements;
- Employer Meetings and training, information for Scheme members; and
- Notification of Additional Fees.

2.3 EMPLOYING AUTHORITY: the scheduled and admitted bodies are responsible for:

- Changes to Scheme membership, monthly and year end returns;
- Pension Contributions within regulatory time scales;
- Discretions Policies;
- Payment of Invoices; and
- Communication with Scheme members and Pension Section.

2.4 The AS aims to set out the quality and performance standards expected of the Fund and its employers. The AS clarifies the roles and responsibilities of both the Employing Authorities (EA) and the Administering Authority (AA). Both parties are dependent on each other for effective communication and accurate flows of information without which the scheme cannot be administered effectively. Members are reliant on the AA and EA to ensure that their pension records are accurate and that they are well informed.

2.5 The following are some of the benefits to be had from having efficient pension scheme administration; the list is by no means exhaustive and is not in order of importance.

2.5.1 For the **Administering Authority**, effective administration means:

- i. Can fulfil its obligations under the regulations for administering the scheme;
- ii. Lower costs, improved use of resources and improve monitoring of performance;
- iii. Easier and swifter provision of services to employers and scheme members;
- iv. Clean data enabling faster / more accurate monitoring of the Fund by its actuaries;
- v. Improved communication between AA, employers and members; and
- vi. Improved decision making in relation to policies and investments.

2.5.2 For **Employing Authorities**, effective administration means:

- i. Greater understanding of the Fund and its impact upon them as an employer;
- ii. Improved communication and Employee satisfaction;
- iii. Lower costs and improved decision making for budgeting; and
- iv. Fulfilling its obligations as an EA under the LGPS regulations.

2.5.3 For **Scheme members**, efficient administration means:

- i. Accurate records of their pension benefits;
- ii. Earlier issuance of annual benefit statements;
- iii. Faster responses to their pension record queries; and
- iv. Improved communications and enhanced understanding of the pension scheme.

3. Regulatory Basis

3.1 The Scheme is a statutory scheme, established by an Act of Parliament. The following regulations governing the Scheme are shown below:

- LGPS (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- LGPS (Administration) Regulations 2008 (as amended)
- LGPS (Transitional Provisions) Regulations 2008 (as amended)
- LGPS Regulations 2013 – and any transitional regulations as and when issued.

3.2 Regulation 59(1) of the LGPS Regulations 2013, enables a Fund to prepare a written statement of the authority’s policies as one of the tools which can help deliver a high quality administration service to its scheme members.

3.3 In addition, Regulation 59(2)e of the 2013 regulations, allows a fund to recover additional costs from a scheme employer where, in its opinion, they are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

3.4 The regulations above are included with the AS in appendix 1 of this document.

4. Administering Authority Role and Responsibility

4.1 Communication

The Fund has a Communication Strategy which outlines how the Fund communicates with its various. This can be accessed at www.lbbdpensionfund.org. The table below summarises the methods the Fund uses to communicate:

Policy on promotion of the scheme with Employing Authorities

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group
Employers’ Guide	Paper based	At joining	Post / email	Employer
Employers meeting	Face to face	As required	email	Employer
Annual Report	Paper / website	Annually	Post	Employer

Policy on Communication with Active, Deferred and Pensioner Members

Method of Communication	Media	Frequency of issue	Method of Distribution	Audience Group
Scheme booklet	Paper/website	Joining	Post	Active
Annual Report	Paper/website	Annually	On request	All
Accounts Summary	Paper based	At valuation	Via employers	All Actives
Benefit Statements	Paper based	Annually	Post	Active / Deferred
Face to Face	Face to Face	On request	On request	All
Joiner Packs	Paper based	On joining	Post	Active members
LGPS leaflet	Paper based	On Joining	Via employers	New employees
Educational Session	Induction	On Starting	Face to face	New employees
Promotional flyers	Paper based	Ad Hoc	Via employers	All Employees

4.2 The Council has **delegated responsibility** for the management of the Fund to the Pension Panel (“the Panel”). The Panel, with support from the Strategic Director, Finance & Investment (“SDF&I”), ensure the implementation of this AS.

- 4.3 The Fund's objective for its administration is to deliver an efficient, quality and value for money service to its scheme employers and members. Administration is implemented by the in-house pension administration section (contact details are below).

Justine Spring Manager (020 8227 2607 / justine.spring@lbbd.gov.uk)
Doreen Daly Surnames beginning A – H (020 8227 3343 / doreen.daly@lbbd.gov.uk)
Kinny Phillips Surnames beginning I – S (020 8227 2296 / kinny.phillips@lbbd.gov.uk)
Madhvi Dodia Surnames beginning T – Z (020 8227 2039 / madhvi.dodia@lbbd.gov.uk)
David Edwards Teachers' Pensions (020 8227 2095 / dave.edwards@lbbd.gov.uk)

Address: LB Barking & Dagenham Council, Pension Section, Ground Floor Annexe, Civic Centre, Dagenham, RM10 7BY

Opening hours: Monday to Friday: 08.30 - 16.30.

4.4 Performance Standards

Scheme employers will, as a minimum, comply with overriding legislation, including:

- Local Government Pension Scheme Regulations;
- Pensions Act 2011 and associated disclosure legislation;
- Freedom of Information Act 2000;
- Equality Act 2010;
- Data Protection Act 2003;
- Finance Act 2013; and
- Any other legislation that may apply at current time.

The Scheme prescribes that certain decisions be taken by either the Fund or the EA, in relation to the rights and entitlements of individual scheme members. To meet these obligations in a timely and accurate manner, while complying with overriding disclosure requirements, the Fund has agreed performance targets, which are set out below:

- 4.6 Internal quality standards:** The Fund and scheme employers will ensure that all functions and tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the Employers' Guide;
- all information required by the Fund to be provided in the required format as outlined in appendix 2, 3 and 4.
- information to be legible and accurate
- communications to be in a plain language style
- information provided to be authorised by an appropriate officer
- actions carried out within the timescales set out in this Administration Strategy.

- 4.7 Timeliness:** legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various stakeholders.

Activity	Target Days
Starter Forms Processed	10
Transfer Value quotes	10
Transfer Value payment	10
Transfer Value outs quote	15
Transfer Value outs actual	13
Refunds	10

Activity	Target Days
Deferred benefits	15
Estimates	10
Retirements	5
Death in service	5
Death in Retirement	5

5. Scheme Employer Role and Responsibility

- 5.1 This section outlines the responsibilities of all scheme employers in the Fund and the performance standards scheme employers are expected to meet to enable the Fund to deliver an efficient, quality and value for money service.
- 5.2 All information must be provided in the format prescribed by the Fund within the prescribed timescales. Information and guidance is provided in the Employers' Guide which is available from the funds web site <http://www.lbbdpensionfund.org>
- 5.3 The Scheme regulations provide pension funds with the ability to recover from a scheme employer any additional costs associated with the administration of the Scheme incurred as a result of the unsatisfactory level of performance of that Scheme Employer. Where a fund wishes to recover any such additional costs they must give written notice stating:
- i. The reasons in their opinion that the Scheme Employer's unsatisfactory level of performance contributed to the additional cost.
 - ii. The amount of the additional cost incurred.
 - iii. The basis on how the additional cost was calculated.
 - iv. The provisions of the Administration Strategy relevant to the decision.
- 5.4 It is the policy of the Fund to recover additional costs incurred in the administration of the Scheme as a direct result of the unsatisfactory level of performance of any scheme employer (including the Council). This includes the payment of fees levied against the scheme employer.
- 5.5 The circumstances where such additional costs will be recovered from the scheme employer are:
- i. persistent failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this AS (either as a result of timeliness of delivery or quality of information)
 - ii. failure to pass relevant information to scheme member / potential members due to poor quality of information or not meeting the agreed timescales outlined in the AS.
 - iii. failure to deduct and pay over correct contributions within the stated timescales.
 - iv. instances where the performance of the scheme employer results in fines being levied against the Fund by the Pension Regulator and/or Pensions Ombudsman.

6. Charges

6.1 Outsourcing of payroll

Where payroll is provided by the Council and is then outsourced to a third party, an administration cost will be charged due to the increase in workload incurred in dealing with returns, receipting and reconciling contributions and treasury actions.

Activity	Fees
Outsourcing of payroll by Local education authority (LEA) School	£500 p.a - infant / junior schools £1000 p.a. - all other LEA schools

6.2 General Charges

The table below sets out the fees which the Fund will levy on a scheme employer whose performance falls short of the standards set out in this document. Charging is a last resort and the approach outlined above will be followed before a fee is levied.

Activity	Fees
Late payment of monthly contributions (after 19 th Calendar month following deduction)	*£50 plus interest calculated on a daily basis.
Monthly Contributions – non provision of the correct schedule of payments in stipulated format and accompanying the respective contribution payment. This includes when the return does not match the contribution amount submitted or where the contribution breakdown is provided after the contribution has been received.	£50 per occasion
Change Notification – failure to notify administrators of a change to a members working hours, leave of absence with permission (maternity, paternity, career break) or leave of absence without permission (strike, absent without permission) – within 20 days of the change in circumstance.	£50 per occasion
Year End Data – failure to provide year end data by 30 th April following the year end or the non provision of year end information or the quality of the year end data is poor requiring additional data cleansing	£200 initial fee then £80 for every month the information remains outstanding.
Year End Data Queries – failure to respond to the administrators requests for information to resolve data queries within the prescribed timescale	£50 initial fee then £20 for every month the information remains outstanding.
New Starter - failure to notify the administrator of a new starter and late / non provision of starter form (within 15 days of employee joining the scheme)	£50 initial fee then £20 for every month the information remains outstanding.
Leaver – failure to notify the administrator of any leaver and the late / non provision of leaver form including an accurate assessment of final pay – within 15 days of employee leaving the scheme/ employment	£50 initial fee then £20 for every month the information remains outstanding.
Retirees – failure to notify the administrators when a scheme member is due to retire 15 working days before the retirement date - including an accurate assessment of final pay and authorisation of reason for retirement.	£50 initial fee then £20 for every month the information remains outstanding.
Late payment of pension benefits – if, due to an employer’s failure to notify the administrator of a scheme members retirement, interest becomes payable on any lump sum paid. The administrator will recharge the total interest paid to the employer	Interest charged in accordance with regs 44 of the LGPS administration regulations

* Interest charged in accordance with regs 44 of the LGPS administration regulations (rate is Bank of England Base rate plus 1%).

7. Employer contribution rates and administration costs

- 7.1 Employers' contribution rates are not fixed. Employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet its liabilities.
- 7.2 The Fund's employers require an actuarial valuation undertaken every three years by an actuary. The Fund has appointed Hymans Robertson as its actuary. The actuary balances the Fund's assets and liabilities in respect of each employer, and assesses the appropriate contribution rate for each employer to be applied for the subsequent three years.
- 7.3 The cost of running AA pension administration is charged directly to the Fund, and the actuary takes these costs into account in assessing the employers' contribution rates.
- 7.4 If an employer wishes the Fund to carry out work not attributable to pension's administration they will be charged directly for the cost of that work at the rate quoted by the Fund's actuary. Prior to any work being carried out an estimation of the cost will be provided and the employer will need to agree to this charge before any work is commissioned.
- 7.5 The following functions have been designated Employer Functions – this means that they are outside of the normal scope of pension administration responsibilities for the Fund but the Administering Authority is willing to assist employers with these services, although they will be subject to a charge depending on the level of work required and whether external suppliers have to be engaged such as the Fund's Actuary, Occupational Health, etc.

1. Redundancy & Severance / Efficiency Payments / Flexible Retirements -

Advice, calculations and the preparation of associated paperwork for employee signature and payroll instructions

2. Ill health retirements - Tier 3 awards - Monitor and review tier 3 ill health awards to cessation, liaise with Occupational Health Services, provide support at the IHRP meetings for the award of uplifted benefits.

3. Injury payments - Calculation and payment of injury awards

4. FRS17/IAS19 - Provision of data required for FRS17 calculations to the Actuary, plus any chargeable Actuary time. Cost – as invoiced from the Actuary + any chargeable Actuary time as invoiced plus standard administration charge £100.

5. Admission Agreements - Setting up and amendment of admission agreements for Contractors/new Employers admitted to the Fund

6. Cessation & Interim Valuations - Provision of data required for interim and/provision of data required for interim and/or cessation valuations

7. Academy Conversions - Any work related this requiring input from the AA

8. Legal Work & non standard actuarial work - Any work in relation to this requiring input from the Administering Authority – e.g. contract review on outsourcing,

employer policies, TUPE & future pension provision etc Pension Administration Strategy

Appendix 1: LOCAL GOVERNMENT PENSION SCHEME REGULATIONS 2013

The Regulations in relation to the Pension Administration Strategy are contained in the LGPS Regulations 2013, and are set out below:

Pension administration strategy

59. (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 Scheme employers in relation to which it is the administering authority ("its Scheme employers");
- (b) the establishment of levels of performance which the administering authority and its Scheme 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 Scheme 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 Scheme 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 Scheme employers under regulation 70 (additional costs arising from 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 sub-paragraph (b);
- (f) the publication by the administering authority of annual reports dealing with—
- (i) the extent to which that authority and its Scheme 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 Scheme 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 Scheme 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) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer

Payment by Scheme employers to administering authorities

69.—(1) Every Scheme employer must pay to the appropriate administering authority on or before such dates falling at intervals of not more than 12 months as the appropriate administering authority may determine—

(a) all amounts received from time to time from employees under regulations 9 to 14 and 16 (contributions);

(b) any charge payable under regulation 68 (employer's further payments) of which it has been notified by the administering authority during the interval;

(c) a contribution towards the cost of the administration of the fund; and

(d) any amount specified in a notice given in accordance with regulation 70 (additional costs arising from Scheme employer's level of performance).

(2) But—

(a) a Scheme employer must pay the amounts mentioned in paragraph (1)(a) within the prescribed period referred to in section 49(8) of the Pensions Act 1995(41); and

(b) paragraph (1)(c) does not apply where the cost of the administration of the fund is paid out of the fund under regulation 4(5) of the Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 (management of pension fund)(42).

(3) Every payment under paragraph (1)(a) must be accompanied by a statement showing—

- (a) the total pensionable pay received by members during the period covered by the statement whilst regulations 9 (contributions) applied (including the assumed pensionable pay members were treated as receiving during that period),
 - (b) the total employee contributions deducted from the pensionable pay referred to in sub-paragraph (a),
 - (c) the total pensionable pay received by members during the period covered by the statement whilst regulation 10 applied (including the assumed pensionable pay members were treated as receiving during that period),
 - (d) the total employee contributions deducted from pensionable pay referred to in subparagraph (c),
 - (e) the total employer contributions in respect of the pensionable pay referred to in subparagraphs (a) and (c),
 - (f) the total additional pension contributions paid by members under regulation 16 (additional pension contributions) during the period covered by the statement, and
 - (g) the total additional pension contributions paid by the employer under regulation 16 (additional pension contributions) during the period covered by the statement.
- (4) An administering authority may direct that the information mentioned in paragraph (3) shall be given to the authority in such form, and at such intervals (not exceeding 12 months) as it specifies in the direction.
- (5) If an amount payable under paragraph (1)(c) or (d) cannot be settled by agreement, it must be determined by the Secretary of State.

Additional costs arising from Scheme employer's level of performance

70. (1) This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.

(2) The administering authority may give written notice to the Scheme employer stating—

- (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
- (b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and Pension Administration Strategy

16 September 2015

