

Fife Pension Fund Pension Administration Strategy

January 2018

Introduction

Fife Council is the administering authority for the Local Government Pension Scheme in Fife. The Council administers the Scheme for Fife Council employees and for employees of participating scheme employers.

The Local Government Pension Scheme (Scotland) Regulations 2014 state that an administering authority may prepare a written pension administration strategy, setting out:

- The roles and responsibilities of the administering authority and scheme employers.
- Performance levels which the administering authority and scheme employers are expected to achieve in carrying out their functions.

Whilst formulating and publishing such a policy is not mandatory, Fife Council as administering authority has prepared a pension administration strategy statement to assist with service delivery and in the interests of transparency and governance. The strategy recognises that both the Council and scheme employers must co-operate to provide an efficient and effective service to scheme members.

The Pension Administration Strategy

Fife Council has established service level agreements with each of its employers and the strategy statement fully reflects these agreements. The statement should not be seen as replacing service level agreements but rather an overview of roles, responsibilities and expected performance standards consolidated in one document.

The strategy statement is therefore a result of consultations with employers. A copy of the statement will be issued to each scheme employer and the Scottish Ministers. The Fund will review and revise the policy where appropriate. Employers will be consulted on changes.

Strategy Objectives

Key objectives are to ensure

- A high quality of pension service to all members is achieved.
- Each party is fully aware of its roles and responsibilities not only in accordance with LGPS regulations but other overriding legislation and the Pensions Regulator's Codes of Practice.
- Develop close and successful working partnership between the Council and scheme employers.
- Performance standards are understood, achieved and reported

Fife Council

Appendix A outlines Fife Council's roles and responsibilities. It also details the expected performance standards.

Performance is continually monitored to ensure improvements are made in all areas. Key performance indicators are provided quarterly for management and on request on an annual basis to employers. Performance data on key targets is also included in the Fund's Annual Pension Fund Report.

Scheme Employers

Appendix B outlines employer roles and responsibilities and expected performance standards.

Fife Council will monitor the areas where timescales have been agreed to ensure that the level of performance continues to be satisfactory.

The Council will at the earliest opportunity work with an employer if an area of poor performance is identified. The HR/Payroll & Pension Team will offer to meet the employer to discuss the poor performance and to provide the necessary training and guidance to rectify the situation.

Discretions

Each employer is required under the regulations to formulate, publish and keep under review a statement concerning employer discretions they may exercise in relation to members.

Each employer must send a copy of its statement to Fife Council before 1 July 2015. Fife Council, as administering authority, has published a policy statement on administering authority discretions. It can be accessed on www.fifedirect.org/lgps

Costs or Penalties

Each employer is responsible for providing Fife Council with all the information detailed in Appendix B. Where the information provided is inaccurate resulting in an inaccurate calculation of benefits, any costs or penalties shall be charged to the employer.

Regulation 68 allows the administering authority to recover additional costs which it has incurred as a result of the level of an employer's performance. Fife Council will notify and recover additional costs from the employer.

Where the Pensions Regulator, Pensions Ombudsman or other Regulatory Authority, due to default, omission or other negligent act caused by an employer, imposes financial compensation or a fine on the administering authority, then that sum shall be recharged to the employer. If the employer is not at fault such costs will be met in full by the administering authority.

Fife Council may require an employer to pay interest on any late payment of contributions when a payment is made 1 month after the due date. Any interest will be calculated at one percent above the bank base rate of the Royal Bank of Scotland on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.

Fife Council will report to the Pensions Regulator any material failure to pay contributions after due investigation and failure of the employer to rectify the situation.

Development

We are currently working to introduce a self –service system for employers. The system will integrate with the pension administration system managing the data flow from employers resulting in greater efficiencies.

We are also reviewing the computerised workflow management system to improve efficiency and extending the range of tasks to be reported on to provide a more comprehensive indication of how the HR/Payroll & Pension Transaction Team is performing.

Appendix A

Fife Council – Roles, Responsibilities and Performance Standards

Fife Council shall be responsible for the following:

- Managing the investment of the Fife Council Pension Fund in accordance with the Regulations and ensure proper governance arrangements of the Fund are in place.
- Processing and submitting a triennial valuation to the Fund Actuary.
- Delivering a service which meets statutory requirements and complies with current professional standards.
- Ensuring compliance with data protection legislation.
- Providing an adequate system properly maintained and with the necessary software as appropriate to deliver a pensions administration service and to ensure the integrity of the database in which the member records are stored.
- Advising employees and employers on pension-related matters as requested.
- Providing regular and appropriate communications to all members.
- Notifying the employer of any relevant changes to the regulations.
- Providing information and communicate with HMRC, banks, solicitors, other pension schemes, actuaries and other appropriate bodies as required.
- Creating new member records within 20 working days of notification of members' joining the scheme.
- When informed by the employer or the member, of a change of circumstances, updating the members record and issuing a statutory notice where required, within 20 working days.
- Taking to conclusion all requests for transfers in and out; provide information on divorce and apply pension credits where they arise.
- Providing all active and deferred members with an Annual Benefit Statement in line with the agreed timetable.
- Providing provisional calculations of retirement benefits upon request within 10 working days.
- Requests for bulk (more 10) provisional pension calculations will be subject to negotiation to agree turnaround times, depending on current workloads.
- Processing a lump sum payment due on retirement to the member within 5 working days of retirement, provided all required information has been received.

- Processing a pension salary to the member who has retired on the first available pension payment date following retirement and thereafter each payroll cycle.
- Processing a refund of contributions due to an early leaver within 5 working days of receipt of all information but no earlier than one month and one day after leaving.
- Providing the necessary information to comply with the National Fraud Initiative (NFI) and thereafter, in conjunction with the employer, investigate all pension matches identified in the reports provided.

In regards to benefit calculations and pension payroll processing, Fife Council shall also:

- Process benefit calculations and arrange payment by BACs in accordance with the pension payroll processing timetable.
- Be responsible for calculating each pensioner's pension in accordance with Income Tax.
- Process compensatory added year pensions on behalf of the Employer and re-charge the pensions on a monthly basis.
- Update Pension Increase as per Treasury Orders.
- Print an annual payslip and provide a P60 at tax year-end.
- Provide Standard exception reports will be produced and the information verified.
- Maintain Statutory tables within the payroll system timeously.
- Process and submit the pension's payroll End of Year Returns in accordance with the relevant statutory deadlines imposed by HMRC.
- Maintain the payslip/Form P60 stationery in accordance with the relevant specification issued by HMRC.
- Process and submit annual returns in accordance with the relevant statutory deadlines.

Appendix B

Employer – Roles, Responsibilities and Performance Standards

The employer will be responsible for the following:

- Paying to the administering authority all Charges due in accordance with the service level agreement.
- Ensuring compliance with data protection legislation.
- Providing details of all new starts to the administering authority within 10 working days of commencement.
- Deciding who is eligible to become a member of the scheme, the date membership commences and to notify the administering authority using the relevant forms.
- Deciding if the member is full-time, part-time, variable-time or a casual employee, and if not full-time to decide the proportion which the employee's contractual hours bear to a comparable full-time employee.
- When there is a change of circumstances, completing the appropriate form and forwarding it to the administering authority within 20 working days of the change.
- An early leaver form must be forwarded to the administering authority within 20 working days of the member's leaving date.
- Providing all necessary certificates / documentation required by the administering authority (e.g. ill health certificate, certificate of protection etc.) in a timeous manner.
- Providing in the correct format all relevant information required for updating annual returns on the pension administration system.
- Providing copies the Employer Discretionary Policy and Discretionary Compensation Policy to the administering authority and keeping these policies under regular review.
- Providing the appropriate information on the correct form and in the prescribed manner within the timescales set to facilitate all retirals and where required advise the administering authority of any discretionary benefits years awarded.
- When a member retires with immediate payment of pension benefits the appropriate form and certification, depending on the type of retirement, must be completed and forwarded at least one month before retirement.
- Upon a death in service, the administering authority will be informed immediately and all appropriate documents forwarded as soon as possible to avoid unnecessary distress and delay in providing benefits entitlement.
- To accompany any statement issued to an employee relating to any decision made about the Scheme with a notice of the employee's right to appeal.

- Appointing an independent doctor, qualified in Occupational Health Medicine, to assist in determining all ill health retirements
- Ensuring the payroll provider collects, pays over and accounts for the correct rate of pension contributions payable by both employees and employers for both the main and 50/50 schemes in accordance with statutory timescales, i.e. within 19 days following the month of payment.
- Ensuring the payroll provider accurately assesses Pensionable and Assumed Pensionable Pays in both main and 50/50 schemes.
- Ensuring the payroll provider collects and pays over all additional voluntary contributions (AVC's) to the specified AVC provider as instructed by the member and administering authority.
- Be fully compliant with and adhere to all the statutory Auto Enrolment legislation and guidance as and when required.
- Pay over all monies due for "strain" on the Fund, augmentation of membership or pension and compensatory added years lump sums within 30 days of the benefits being paid to the member.