

# PENSION ADMINISTRATION STRATEGY STATEMENT



Lancashire County  
**Pension  
Fund**



# CONTENTS

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<b>Introduction</b>	<b>3</b>
<b>Scheme Administration</b>	<b>4</b>
<b>Performance standards</b>	<b>5</b>
<b>Pension Fund responsibilities</b>	<b>5</b>
<b>Scheme employer responsibilities</b>	<b>11</b>
<b>Monitoring performance and compliance</b>	<b>16</b>
<b>Policy on charging employers for poor performance</b>	<b>16</b>
<b>Continuous Improvement</b>	<b>19</b>
<b>Consultation and review process</b>	<b>19</b>

# INTRODUCTION

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This is the Pension Administration Strategy Statement (Administration Strategy) of the Lancashire County Pension Fund (the Pension Fund) in relation to the Local Government Pension Scheme (the Scheme), which is administered by Lancashire County Council (the County Council).

## **Aims**

The Pension Fund is committed to providing a high quality pension service to both members and scheme employers and to ensure that the Pension Fund is effectively governed. The aim of this Administration Strategy is to set out the roles and responsibilities of the Pension Fund and its scheme employers in administering the Scheme. It seeks to promote good working relationships and improve efficiency between the Pension Fund and its scheme employers.

The efficient and effective delivery of the benefits of the Scheme is dependent on sound administrative procedures being in place between a number of interested parties, including the Pension Fund and scheme employers. The Administration Strategy sets out the quality and performance standards expected of the Pension Fund and its scheme employers, and provides details about the monitoring of performance levels and the action(s) that might be taken where persistent failure occurs.

Specifically the Administration Strategy will seek to facilitate best practices and efficient customer service in respect of the following:-

- Procedures for liaison and communication with scheme employers;
- The establishment of performance levels which the administering authority and scheme employers are expected to achieve;
- Procedures to ensure compliance with statutory requirements in connection with the administration of the scheme;
- Procedures for improving the methods of passing information between the administering authority and scheme employers.

## **Implementation**

The Administration Strategy is kept under review and revised to keep abreast of changes in Scheme regulations and Pension Fund policies and procedures.

Changes to the Administration Strategy will be made following consultation with employers who, along with the Secretary of State, will receive a copy of the revised statement.

## **Regulatory basis**

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

- The Local Government Pension Scheme Regulations 2013 [SI 2013/2356] (as amended)

- The Local Government Pension Scheme (Transitional provisions, savings and amendment) Regulations 2014 [SI 2014/525] (as amended)

This legislation may be accessed at <http://www.lgpsregs.org/index.php/regs-legislation>

Specifically regulation 59 of the Local Government Pension Scheme Regulations 2013 enables a Local Government Pension Scheme Fund to prepare a document ("the pension administration strategy") as one of the tools which can help in delivering a high quality administration service to its scheme members and other interested parties.

In addition, regulation 70 of the Local Government Pension Scheme Regulations 2013 allows a fund to recover additional costs from a scheme employer where, in its opinion, those costs 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.

## **SCHEME ADMINISTRATION**

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### **Responsibility**

The County Council is responsible for administering the Lancashire County Pension Fund.

The County Council delegates its functions in respect of the Scheme to its Pension Fund Committee who further delegates the administration of the Scheme to the Local Pensions Partnership under the terms of a Service Level Agreement.

The Pension Fund Committee, in conjunction with the Local Pension Board, are responsible for the monitoring and review of this Administration Strategy.

### **Objectives**

The Pension Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members.

As such the key objectives will be to ensure that:

- the Pension Fund and scheme employers understand their responsibilities under the Scheme and the processes in place to meet those responsibilities;
- the Pension Fund and scheme employers are compliant with the scheme rules and the Pension Regulator's code of practice;
- accurate records are maintained and data and documents are submitted in a timely and secure manner;
- lines of communication between the Pension Fund and scheme employers are maintained and enhanced to maximize employer engagement;

- in house and external training continues to be developed and rolled out;
- service standards are maintained, improved and regularly monitored.

## **PERFORMANCE STANDARDS**

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The Local Government Pension Scheme prescribes that certain decisions be taken by either the Pension Fund or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Pension Fund has agreed levels of performance between itself and scheme employers which are set out in this Administration Strategy.

### **Internal quality standards**

The Pension 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, as amended from time to time
- information required by the Pension Fund to be provided in the standard specified format/form
- communications to be in a plain language/plain English
- information provided must be authorised by an appropriate officer
- actions carried out, or information provided, must be within the timescales set out in this Administration Strategy.

### **Timeliness**

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the Scheme.

The Scheme itself sets out a number of requirements for the Pension Fund and scheme employers to provide information to each other, scheme members and prospective scheme members, dependents, other pension arrangements or other regulatory bodies. The following sections on responsibilities set out the locally agreed timescales for these requirements.

## **PENSION FUND RESPONSIBILITIES**

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This section outlines the key responsibilities of the Pension Fund and the performance standards scheme employers and scheme members should expect. It is focused on the key activities which scheme employers and scheme members are involved in and should not be viewed as a complete list of all activities.

## Pension Fund Administration

This details the functions which relate to the whole Pension Fund, rather than individual scheme members' benefits.

Function/Task	Performance Target
Publish and keep under review the Pension Fund's Administration Strategy.	Within one month of any changes that have been consulted on with scheme employers.
Publish and keep up to date scheme guidance	30 working days from any revision.
Publish and keep up to date all forms required for completion by scheme members, prospective scheme members or scheme employers.	30 working days from any revision.
Host a meeting for all scheme employers.	Annually for administrators and separately for Finance Directors/Chief executives.
Organise training sessions for scheme employers.	As matter of course for all new employers in the form of induction training.  Upon request from scheme employers, or as required, up to a maximum of 10 days for each employer per annum. Attendance in excess of 10 days will be provided at a daily rate to be determined on request.
Notify scheme employers and scheme members of changes to the scheme rules.	Within one month of the change(s) coming into effect.
Notify a scheme employer of issues relating to the scheme employer's poor performance.	Within a maximum of 30 working days of a performance issue becoming apparent.
Notify a scheme employer of decisions to recover additional costs associated with the scheme employer's poor performance (including any interest that may be due).	Within a maximum of 30 working days of a scheme employer's failure to improve performance, as agreed.

Issue annual benefit statements to active and deferred members as at 31 March each year.	By the following 31 August
Issue formal valuation results (including individual employer details).	No later than 31 March following the valuation date
Carry out interim valuation exercises on cessation of admission agreements or a scheme employer ceasing participation in the Pension Fund.	Upon each cessation or occasion where a scheme employer ceases participation of the Pension Fund.
Undertake a risk assessment for all new admitted bodies in the Pension Fund	To be completed before the admitted body can be admitted to the Pension Fund.
Publish, and keep under review, the Pension Fund's Governance Policy and Compliance Statement.	A review will be undertaken by 30 September following the year end as part of the Pension Fund's Annual Report and Accounts, any subsequent revisions to be published within 30 days of the policy being agreed by the Pensions Committee.
Publish and keep under review the Pension Fund's Funding Strategy Statement.	To be reviewed at each triennial valuation, following consultation with scheme employers and the Pension Fund's actuary. Revised statement to be published at the same time as the final valuation report is issued.
Publish the Pension Fund's Annual Report and Accounts and any report from the auditor.	By 30 November following the year end or following the issue of the auditor's opinion.
Publish, and keep under review, the Pension Fund's Communication Strategy Statement.	The statement will be published within 30 days of any material change to the policy.
Publish, and keep under review, all discretionary areas where a policy decision is required by the administering authority.	All discretionary areas will be reviewed where policy or regulatory issues need to be addressed, any subsequent revisions to be published within 30 days of the policy being agreed by the Pensions Committee.

Publish, and keep under review, the Pension Fund's Investment Strategy Statement.	The statement will be reviewed tri-annually unless policy or regulatory issues need to be addressed sooner, any subsequent revisions to be published within 30 days of the policy being agreed by the Pensions Committee.
Appoint stage 2 "appointed person" for the purposes of the pension dispute process and notify all scheme employers of the appointment.	Within 30 working days following the resignation of the current "appointed person".
Process all stage 2 pension dispute applications.	Within 2 months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required, subject to the statutory requirements of the dispute procedure.

### Scheme Administration

This details the functions which relate to scheme member benefits from the Scheme.

Function/Task	Performance Target
Calculate transfer values in within 10 working days of receipt of necessary documentation	95%
Provide information on request in respect of Pension Sharing on Divorce within legislative timescales. (A charge to the member will be levied in line with pension sharing on divorce legislation)	100%
Implement Pension Sharing Orders within legislative timescales	100%
Provide a statement of deferred benefit entitlement on leaving service within 10 working days of date of leaving or receipt of notification, whichever is later.	95%



Provide annual statement of benefit entitlement to active and deferred members within legislative timescales	100%
Respond to requests for estimates of benefits within 10 working days following receipt of request	95%
Calculate and pay refunds within 10 days of receipt of notification.	95%
Calculation and payment of retirement benefits, deferred benefits and death in service lump sums in accordance with LGPS rules, members' options and statutory limits. The service includes the recalculation and payment of benefits as a result of amended data received by the Pension Service.  Within 10 working days of receipt of required documentation or date of entitlement to benefit; whichever is later.	95%
Calculate and pay transfer value out within 10 working days of receipt of necessary documentation	95%
Calls to the Pensions Helpdesk answered	95%
Respond to general queries/correspondence within 10 working days of receipt of query/correspondence	95%
Make payment of pensions on due date	100%
Produce on line P60s for pensioners within statutory deadlines	100%
Implement annual pension increases by payment due date	100%

Implement change in pensioner circumstance by payment due date including the calculation and quoting of benefits on the death of pensioners and administering the recovery of overpayments	95%
Undertake annual reviews to establish continuing entitlements to pension for all eligible children	100%
Amend personal records within 10 working days of receipt of required documentation	95%
Calculation of additional membership for transfer values within 10 working days of receipt of required documentation	95%
Action agreed transfer values out within 10 working days of receipt of required documentation	95%

# SCHEME EMPLOYER RESPONSIBILITIES

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This section outlines the responsibilities of all scheme employers in the Pension Fund and the performance standards scheme employers are expected to meet to enable the Pension Fund to deliver an efficient, quality and value for money service.

All information must be provided in the format and frequency prescribed by the Pension Fund within the prescribed timescales. Information and guidance is provided in the Employers' Guide and the Guide and forms are accessible from the Pension Fund's website.

## Pension Fund Administration

This details the functions which relate to the whole Pension Fund, rather than individual scheme members' benefits.

Function/Task	Performance Target
Confirm a nominated representative to receive information from the Pension Fund and to take responsibility for disseminating it within the organisation.	Prior to an employer joining fund or within 10 days of a change to nominated representative.
Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the Scheme (including providing a copy of the policy decision(s) to the Pension Fund).	Within 30 working days of policy being agreed by the employer.
Respond to queries from the Fund's administrator.	Within 10 working days from receipt of enquiry.
Attend induction training provided on admission to the Pension Fund, and other training relating to the administration of the Fund as and when this is offered	Within 30 days of admission, or as agreed for an established scheme employer.
Pay over employer and employee contributions to the Pension Fund	Cleared funds to be received by 19th calendar day of month after deduction. Contribution payments must be made by direct debit. Where exceptional circumstances are identified then payment can be made by BACS with an associated £50 plus vat charge per monthly submission.

Provide schedule of payments in the format stipulated by the Fund.	By the 19th calendar day of month after deduction.
Implement changes to employer contribution rates as instructed by the Fund.	At date specified on the actuarial advice received by the Fund.
Provide monthly data as specified by the Fund in the format and frequency stipulated.	Submitted by the 6 <sup>th</sup> of the month following the month it relates
Notify the Pension Fund if contracting out services which will involve a TUPE transfer of staff to another organisation.	Within 10 days of a decision to tender so that information can be provided to assist in the decision, prior to the release of the tender.
Work with the Pension Fund to arrange for an admission agreement and surety arrangements to be put in place when contracting out a service and assist in ensuring it is complied with.	Agreement to be in place by the time the service is contracted out.
Notify the Pension Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Pension Fund.	As soon as the decision is made, so that the Fund can instruct the actuary to carry out calculations if applicable.
Provide new/prospective scheme members with relevant Scheme information (or refer them to the Fund website).	Within 10 working days of commencement of employment or change in contractual conditions.
Make additional fund payments/pensions strain amounts in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employers consent.	Within 30 days of receipt of invoice from the Pension Fund.
Make payment of additional costs to the Pension Fund associated with the poor performance of the scheme employer.	Within 30 working days of receipt of invoice from the Pension Fund.

## Scheme Administration

This section details the functions which relate to scheme member benefits from the Scheme.

<b>Function/Task</b>	<b>Performance Target</b>
Use online forms and monthly data collection portal for all relevant scheme administration tasks	Within 15 days of employer being set up, trained and with access to use the relevant systems
Confirm a nominated representative to act as administrator on the Pension Fund website for the online submission of forms and monthly data	Within a maximum of 15 days of implementation of the relevant systems.
Notify the Pension Fund of each new employee admitted to the pension scheme and ensure that the employee completes their element of the process.	Via next monthly data collection portal following admission of new employee.
Arrange for the correct deduction of employee contributions from a scheme member's pensionable pay on becoming a scheme member.	Immediately on joining the scheme, opting in or change in circumstances.
Ensure correct employee contribution rate is applied	Immediately upon commencing scheme membership and in line with the employer's policy and as a minimum in each April payroll thereafter.
Arrange for reassessment of employee contribution rate in line with employer's policy and notify the employee of the change in rate.	Review as per policy and notification within 10 working days of change in rate.
Ensure correct deduction of pension contributions during any period of child related leave, trade dispute or other forms of leave or absence from duty.	Immediately, following receipt of election from scheme member to make the necessary pension contributions.
Commence deduction of additional pension contributions or amend such deductions, as appropriate.	Month following election to pay contributions or notification received from the Pension Fund.

Cease deduction of additional pension contributions.	Immediately following receipt of election from scheme member.
Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s).	Commence deduction of AVCs in month following the month of election. Pay over contributions to the AVC provider(s) by the 19 <sup>th</sup> of the month following the month of election.
Refund any employee contributions deducted in error.	Month following the month that the deduction error is detected.
Cease deduction of employee contributions where a scheme member opts to leave the Scheme.	Month following month of election, or such later date specified by the scheme member.
Refund employee contributions via payroll where the member has opted out within 3 months	Month following month of election to opt out.
Provide the Pension Fund with details of all contractual changes to scheme members working hours.	Via the monthly data collection portal
Notify the Pension Fund of changes in employees' circumstances	Via monthly data collection portal
Provide the Pension Fund with details of any breaks in membership (e.g trade disputes, maternity, paternity) and any APC contracts taken out to cover the break in service.	Via monthly data collection portal.  Any forms not facilitated under the portal should be submitted within 10 working days of effective date of action (e.g "return from absence" notification).
Notify the Pension Fund when a scheme member leaves employment including an accurate assessment of actual pensionable pay and final pay (for scheme members in the scheme prior to 1 April 2014).	Via monthly data collection portal.  In addition forms relating to the assessment of actual and final pensionable pay should be submitted through the employer portal immediately following the availability of accurate pay details.

Notify the Pension Fund when a scheme member is due to retire including an accurate assessment of actual pensionable pay and final pay (for scheme members in the scheme prior to 1 April 2014) and authorisation of reason for retirement.	Submitted online within 5 working days before retirement date.
Notify the Pension Fund of the death of a scheme member.	Submitted online and as soon as practicable, but within 5 working days of the employer becoming aware of the death.
Appoint an independent registered medical practitioner (IRMP) qualified in occupational health medicine, in order to consider all ill health retirement applications and agree appointment with the Pension Fund	Within one month of commencing participation in the scheme or date of resignation of existing medical adviser
Carry out an 18 month review of scheme members who retired on grounds of ill health (Tier 3)	18 months after date of retirement
Notify the Pension Fund of outcome of Tier 3 ill health review.	Immediately following decision by IRMP
Appoint person for stage 1 of the pension dispute process and provide full details to the Pension Fund	Within a maximum of 30 working days of joining the Pension Fund or following the resignation of the current "appointed person"
Enrol and notify the Pension Fund of a scheme member's election to move into the 50:50 scheme	From the next pay period following receipt of the members election form
Enrol a "50:50 scheme member" back into the full scheme and notify the Pension Fund.	In line with an employer's re-enrolment date for Auto enrolment purposes
Comply with auto-enrolment from the prescribed staging date, as required under Pensions Regulations and advise the Pension Fund of the date.	From the employers staging date.

## **MONITORING PERFORMANCE AND COMPLIANCE**

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Ensuring compliance with the Scheme regulations and this Administration Strategy is the responsibility of the Pension Fund and scheme employers. This section describes the ways in which performance and compliance will be monitored.

### **Audit**

The Fund is subject to an annual external audit of its financial accounts. In addition the Fund is subject to internal audits of its processes and internal controls. Both the Administering Authority and scheme employers are expected to comply with requests for information from internal and external audit in a timely manner.

### **Performance monitoring**

The Pension Fund monitors performance against agreed Service Levels. Administration performance and the performance of scheme employers against the standards set out in this document are incorporated into appropriate reporting schedules.

### **Annual report on the strategy**

The Scheme regulations require the Pension Fund to undertake a formal review of performance against the Administration Strategy on an annual basis. Such report to be incorporated within the Fund Annual Report and Accounts.

## **POLICY ON CHARGING EMPLOYERS FOR POOR PERFORMANCE**

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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 poor level of performance of that scheme employer. Where a fund wishes to recover any such additional costs they must give written notice stating:

- The reasons in their opinion that the scheme employer's poor performance contributed to the additional cost
- The amount of the additional cost incurred
- The basis on how the additional cost was calculated
- The provisions of the Administration Strategy relevant to the decision to



give notice.

### **Circumstances where costs might be recovered**

It is the policy of the Pension Fund to recover additional costs incurred in the administration of the Scheme as a direct result of the poor performance of any scheme employer.

In the case of scheme employers that have been admitted to the Scheme as the result of an "outsourced" contract (formerly known as Transferee Admission Bodies (TAB)), the originating employer will retain overall responsibility for ensuring that the scheme employer complies with the requirements of the Pension Fund. This includes the payment of charges levied against the TAB.

Scheme employers that have outsourced their payroll will be responsible for the third party providers' performance in relation to the tasks set out in this Administration Strategy. This requires that scheme employers will be responsible for payment of any charges levied for underperformance by that third party provider.

The circumstances where such additional costs will be recovered from the scheme employer are:

- failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this Administration Strategy (either as a result of timeliness of delivery or quality of information)
- failure to pass relevant information to the scheme member or potential members, either due to poor quality of information or not meeting the agreed timescales outlined in the performance targets in this Administration Strategy
- failure to deduct and pay over correct employee and employer contributions to the Pension Fund within the stated timescales
- instances where the performance of the scheme employer results in fines being levied against the Fund by the Pension Regulator, Pensions Ombudsman or other regulatory body.

### **Approach to be taken by the Pension Fund**

The Fund will seek, at the earliest opportunity, to work closely with scheme employers in identifying any areas of poor performance, provide the necessary training and put in place appropriate processes to improve the level of service delivery in the future.

The deadline for the payment of contributions and submissions of data are outlined in this Administration Strategy. For every instance of late payment of contributions or late or non-submission of a monthly data, scheme employers will receive written notice of the area(s) of poor performance and notice that charges will be levied in accordance with the charging scale set out in this document. An invoice will then be issued to the scheme employer.

For other instances of poor performance, the process for engagement with scheme

employers will be:

1. Write to the scheme employer, setting out area(s) of poor performance and offer training.
2. If no improvement is seen within one month, or following training no improvement is seen, or no response is received to the initial letter, the scheme employer will be contacted by representatives of the Pension Fund to discuss the area(s) of poor performance and to agree an action plan to resolve them. In cases where the scheme employer has been admitted to the fund via an Admission Agreement, then where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.
3. If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out the area(s) of poor performance that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.
4. An invoice will then be issued to the scheme employer clearly setting out the calculations of any loss resulting to the Pension Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of poor performance, in accordance with the charging scale set out in this document.

### **Charging scales for administration**

The table below sets out the charges which the Fund will levy on a scheme employer whose performance falls short of the standards set out in this document. This reflects the additional administration involved in securing payment of sums due to the Pension Fund and submission of required data and information.

<b>Item</b>	<b>Charge</b>
Failure to remit monthly payment of employee and employer contributions by the 19 <sup>th</sup> of the month following deduction.	Interest in line with the scheme regulations*
Late or non-provision of monthly schedule of contributions paid, or the poor quality of information submitted which cannot be reconciled. The deadline for receipt of an accurate schedule would be 12 <sup>th</sup> of the month following deduction of contributions (or previous working day if the 12 <sup>th</sup> were to fall on a weekend).	£50 per occasion
Underpayment of employee or employer contributions which were due by the 19 <sup>th</sup> of the month following deduction.	Interest in line with the scheme regulations*

Late or non-provision of monthly data collection files, or the poor quality of information submitted which cannot be reconciled. The deadline for receipt of an accurate schedule would be 6 <sup>th</sup> of the month following deduction of contributions. Where this cannot be reconciled within the month and/or relates to an employer who is persistently late then the charges identified will be levied.	£250 plus £100 for every month the information is late
Late or non-provision of starter information Via next monthly data collection portal following admission of new employee.	£50 for every month the information is late or not received via the next monthly data collection portal following admission of new employee.
Late or non-provision of leaver information	In respect of leavers £50 for every case where the information is more than 1 month late from date of leaving or not received via the next monthly data collection portal.  In respect of retirements information received later than within 5 working days before retirement date would be deemed late.
Fines or additional costs incurred by the Pension Fund in relation to a specific scheme employers' poor performance	Full cost of fines or additional charges

\* Interest will be charged in accordance with regulation 44 of the LGPS Administration regulations, which states interest should be charged at Bank of England Base Rate plus one percent.

## **CONTINUOUS IMPROVEMENT**

The Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members. This can only be achieved through continuously reviewing and improving the service.

## **CONSULTATION AND REVIEW PROCESS**

In preparing this Administration Strategy the Fund must consult with all scheme employers with active contributors in the Pension Fund. The strategy will be reviewed where there are significant changes to the Scheme regulations or Pension Fund policies. Scheme employers will be consulted before any changes are made to this document