

London Borough of Harrow Pension Fund

Draft Pensions Administration Strategy

March 2022

Introduction

1. The pensions administration strategy (“the strategy”) sets out the responsibilities of the administering authority and scheme employers in administering the LGPS. The role of administering authority for the London borough of Harrow Pension Fund is discharged by Harrow Council – The Treasury and Pensions team. The Council’s HR service provides the pensioner payroll.
2. The strategy has been created pursuant to regulation 59 of the Local Government Pension Scheme Regulations 2013 and will be reviewed at least every three years.
3. There are four sections of the strategy and those are:
 - Roles and deadlines of all parties
 - Administering authority’s performance standards
 - A statement about scheme communications
 - Scope of additional costs that will be recovered from scheme employers

Roles and deadlines

4. Each of the parties to the LGPS has specific roles and responsibilities. It is important that this is clear to ensure we all discharge them fully.

References to Regulations refer to the Local Government Pension Scheme (LGPS) Regulations 2013 unless otherwise stated.

If a stated deadline falls on a weekend or bank holiday then the deadline is the working day immediately prior.

| Role | Deadline |
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| Administering Authority | |
| Appoint a fund actuary, investment consultants, advisors, custodians and fund managers | As required |
| Lead and publish the triennial valuation (as at 31st March 2022 and on 31st March in every third year afterwards) and annual summary valuation pursuant to regulation 62 | Every three years and annually |
| Publish the audited fund annual accounts pursuant to regulation 56 | Annually |

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| Publish a pension fund annual report pursuant to regulation 57 | Annually |
| Publish a funding strategy statement pursuant to regulation 58 | At least every three years |
| At least every three years Publish an investment strategy statement pursuant to regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 | At least every three years |
| Publish a governance compliance statement pursuant to regulation 55 | At least every three years |
| Produce the business strategy for the fund | Every three years |
| Support the Pension Fund Committee and the Pension Board | Quarterly |
| Maintain the Fund risk register | Quarterly |
| Manage Fund cash and bank accounts | As required |
| Monitor fund investments and performance reporting | At Least Quarterly |
| Complete the SF3 and other investment returns | Annually and as required |
| Complete the quarterly Office for National Statistics financial survey of pension schemes | Quarterly |
| Monitor the financial strength of scheme employers | Annually |
| Sign off admission agreement terms regarding the financial arrangements between the parties | As Required |

| Pensions Administration Team | |
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| Publish annual benefit statements to all active and deferred members | Annually by 31 August |
| Publish pensions saving statements to scheme members that may have breached their annual and/or lifetime allowances | Annually by 6 October |
| Set up and amend admission agreements for admitted bodies | As soon as practicable |
| Manage the internal dispute resolution procedure | In accordance with the procedure |
| Apply the annual pensions increase as directed by HM Treasury | April pensioner payroll cut-off |
| Submit a quarterly tax return to HM Treasury and pay the required tax charges | 14th day of the second month following the end of the relevant period |
| Maintain a membership database | Not applicable |
| Undertake an annual data review and complete The Pension Regulator scheme return notice | November, as directed by The Pension Regulator |
| Process tasks in accordance with the performance standards | See table below |
| Maintain a 'breaches of law' register and notify The Pension Regulator of any materially significant breaches, which may result from: <ul style="list-style-type: none"> ● A failure to issue annual benefit statements or pension savings statements in time ● Errors and omissions identified by the internal dispute resolution procedure | As soon as practicable |

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| <ul style="list-style-type: none"> • Scheme employers failing to pay contributions on time or accurately • Other breaches of a legal requirement | |
| Provide information and manage the production of admission, cessation and IAS19/FRS102 (financial statement) reports via the fund actuary and share with those reports with scheme employers | As required |
| HR / Payroll Team | |
| Pay pensioners their monthly LGPS benefits | 25th day of the month (or the Friday before if 25 th falls at a weekend). |
| Issue pension payslips in March, April and if the net monthly pension changes by £5 or more | Issued on the relevant pay date. |
| Scheme Employers | |
| Submit the monthly contributions return in the required format | 19th day of the month after which the deductions are made |
| Pay the monthly contributions to the fund pursuant to the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 | Payment received by 19th day of the month after which the deductions are made |
| Submit an annual return in the required format | 7th May |
| Calculate and pay redundancy and/or severance payments | As soon as practicable |
| Provide the data required for FRS17 (retirement benefits) calculations if requested | 20 working days prior to the accounting date (ie 31st March, 31st July, 31st August etc). |
| Provide any additional data required for interim and/or cessation valuations | As soon as practicable |

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| Publish a statement of policy about the exercise of discretionary functions pursuant to regulation 60 | Within six months of becoming a scheme employer |
| Calculate pensionable pay and determine a scheme member's final pay, when required | As required |
| Admit its employees into LGPS | By their starting date or auto enrolment date |
| Inform Harrow Pensions Team about new scheme members, members leaving the scheme, or changes to employment (working hours, unpaid leave, unauthorised absences, reductions in pay and 50/50 scheme elections) using the required form or template | 20 working days after their starting date, leaving date or date of the change |
| Give notice of a scheme member's intention to retire | 20 working days prior to the intended retirement date |
| Make the first instance decision about an ill-health retirement following receipt of the independent registered medical practitioner's report | As soon as practicable (Employers must nominate an adjudicator to deal with appeals at stage one of the IDRPs where the dispute is against a decision the employer has made or is responsible for making. Employers are responsible for providing details of the IDRPs and the adjudicator in writing to members when informing them of decisions they have made.) |
| Respond to general queries from the administering authority | 10 working days |
| Respond to errors or missing information identified by the administering authority | 20 working days or sooner if required |
| Pay invoices for any recoverable additional costs | 30 calendar days from the invoice date |

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| <p>Inform the Fund regarding a notifiable event which may trigger the requirements for a contribution review between triennial valuations. Such triggers may include (though not limited to):</p> <ul style="list-style-type: none"> • A material change to LGPS membership • A material change in total employer payroll and LGPS pensionable Pay • A change in employer legal status or constitution • Restructuring where there is a significant impact on LGPS membership • A decision to cease business • A decision that will restrict future active membership of the LGPS | <p>Inform the Fund well in advance of the event taking place</p> |
| <p>Commence the deduction of additional contributions (APCs or AVCs) following an election from the scheme member or instruction from the administering authority</p> | <p>As soon as practicable</p> |
| <p>Provide a breakdown of AVC contributions for reconciliation against payment</p> | <p>By no later than 19th of the following month but preferably at the time of making the payment.</p> |
| <p>Notify the Fund of the contracting out of services which will involve a TUPE transfer of staff to another organisation so that information can be provided to assist in the decision</p> | <p>Where possible, three months prior but at the latest the point of deciding to tender.</p> |
| <p>Fund Actuary</p> | |
| <p>Undertake the triennial valuation (including the recommended contribution schedules) and provide quarterly updated summary valuations</p> | <p>Every 3 years (next due 2022) and quarterly respectively</p> |
| <p>Produce admission, cessation, conversion and IAS19/FRS102 (financial statement) reports</p> | <p>As required</p> |

Performance standards for processing tasks

5. The service target is the pensions administration team's target but in order to meet the overall process targets it will need to rely on other parties acting promptly. The targets have been set after accounting for any legal requirements and to achieve a suitable service level for scheme members.

| Process | Service Target | Overall Process Target | Legal Deadline |
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| Send a notification of joining the LGPS to a scheme member | 20 working days from receipt of all information | 40 working days from date of joining | Two months from date of joining the scheme |
| Inform a scheme member who left the scheme of their calculated benefits (refund or deferred) | 30 working days from receipt of all information | 40 working days from date of leaving | No more than two months from date of initial notification |
| Request transfer details for transfer in (including interfunds) | 5 working days from receipt of the request | 40 working days from member's initial request | Two months from the date of request |
| Calculate and provide transfer in (including interfunds) quotation to scheme member | 15 working days from receipt of all information | | |
| Provide details of transfer value (including interfunds) for transfer out or divorce proceedings | 20 working days from receipt of all information | 60 working days from date of request | Three months from date of request |
| Notify a scheme member of their final retirement benefits | 10 working days from receipt of all information | 20 working days from date of retirement | One month from date of retirement if on or after normal pension age or two months from date of |

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| | | | retirement if before normal pension age |
| Request financial information for retirement from scheme employer's payroll provider | 10 working days from date of request | 40 working days from date of request | No more than two months from date of request unless there has already been a request in the last 12 months |
| Provide a retirement quotation (limited to once per 12 month period) | 20 working days from receipt of all information | | |
| Calculate and notify dependant(s) of their amount of death benefits | 10 working days from receipt of all information | 40 working days from date of death | No more than two months from date of becoming aware of death |
| Pay contribution refund to scheme member following their election | 10 working days from receipt of all information | 20 working days from date of request | Not applicable |
| Answer general correspondence | 10 working days from receipt of correspondence | Not applicable | |

Communication statement

6. This statement confirms the procedures used for communication and information sharing between the various LGPS parties, including scheme members and their representatives, prospective members, and scheme members. It is required by regulation 61. The Pension Fund Committee has already approved its Communications Policy, and this section should be read in conjunction with that document which can be found on the Harrow Pension Fund website at <https://www.harrowpensionfund.org/resources/communications-policy-statement-march-2021/>
7. There are certain key principles that form the basis of approach to communication. They are:
 - Digital first communication but alternative methods as required
 - Using plain language to help parties to make informed decisions

Provision of information and publicity about the scheme

8. The policy will set out the channels of communication that will be communicated and their frequency. It will include an engagement plan that will include events for employers, members of the scheme and prospective members of the scheme.
9. We are committed to using technology to enhance services, improve accessibility and broaden inclusion. This includes the use of email where possible. We are developing our use of digital communication and intend to implement “self service” options for scheme members and scheme employers through a secure portal, towards the end of 2022. Pensions Online,
10. Wherever possible, we will use a digital first means of communication, however, we recognise that individuals may have specific needs with regards to the format or language of our communication. As such, reasonable alternative material will always be made available on request.
11. Annual benefit statements are currently sent to active and deferred members by post. We will explore the possibility of moving this to availability via on line access once “member self service” is available.
12. We shall maintain the service's web pages on the Harrow Pension Fund website to provide information about the LGPS. The contents shall be reviewed at least twice per year. This is where we will publish the key scheme documents, such as the annual accounts. The web pages will not duplicate the core scheme information found on the LGPS website but rather link to it where possible and only add information that is specific to the Harrow Pension Fund.
13. When it is prudent to share scheme updates to scheme members, these messages will be added to the council websites. In addition, we will ask every scheme employer to cascade such messages to its active scheme members. If it is relevant to share the message with deferred or retired scheme members, we will circulate it using the most appropriate method. These updates may include changes to the scheme regulations.
14. During an actuarial valuation year, we shall hold meetings with scheme employers and the fund actuary to discuss the results and implications of the valuation and other actuarial matters.
15. The LGPS and other pension schemes can prove confusing to its members. As such, all communication sent by us will be written using plain language where possible and where not, will include suitable definitions.
16. The fund's governance arrangements include the Pension Fund Committee and the Pension Board, both of which receive reports from the administering authority. These reports are presented by officers and will include general updates and specific recommendations for decisions where the power to decide them has not been delegated to officers.

Forms and templates for scheme employers

Forms

17. Scheme employers need to submit information in accordance with specific requirements to support the efficient administration of the LGPS. The following forms must be used and can be found on the council websites:

- Notification of joining employee (LG2)
- Notification of leaving employee (LG3)
- Notification of an employment change (LG4)
- Notification of changes to multiple post employee (LG5)

Templates

18. In some situations, often due to a scheme employer's payroll provider, it is not always possible to use specific templates. As such, our templates are optional and scheme employers can choose to use their own format. However, the returns must still contain all of the fields found in our template. The following templates can be found on the council websites:

- Monthly contributions return (LG1)
- Annual return
- BDI return for bulk notification of joining employees

Sharing information with external bodies

19. From time to time the administering authority shall share scheme member and scheme employer information with the following external bodies:

- Cabinet Office
- Department for Levelling Up, Housing and Communities
- Department for Work & Pensions
- Government Actuary's Department
- HM Revenue & Customs
- Local Government Association
- The fund actuary (Hymans Robertson LLP)
- The external auditor (Mazars LLP)
- The member data service provider (Heywoods)

Recoverable additional costs

20. The standard cost of administering the fund is factored into the contribution rates but there are circumstances that will require the recovery of additional costs.

21. Any such costs will be monitored by the administering authority and the relevant party will be invoiced for payment, either annually or on an ad-hoc basis depending on the type of cost.

Performance penalties

22. This type of recovery is dealt with according to regulation 70, which allows the administering authority to levy such charges on account of a scheme employer's unsatisfactory performance in carrying out its functions. These recoveries are required as a penalty to ensure the smooth running of the LGPS.

23. Any such recovery should be avoided where possible and scheme employers should seek advice from the administering authority if they experience any difficulties. The administering authority will not seek a recovery if there has been early engagement and suitable effort to comply. In the event that a recovery is required, the administering authority will provide the scheme employer with a written notice.

24. The penalties will be calculated as follows:

| Unsatisfactory performance | Threshold Charge |
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| Late submission of joiner or leaver form | £50 per month |
| High quantity of starters and leavers notified in annual return More than 5% of scheme employer's active membership | £250 plus any other applicable charges |
| Late submission of annual return | £250 plus £50 per working day |
| Late submission of monthly contributions return | £125 plus £25 per working day |
| Poor quality of data in annual return or failure to provide information in the required format - more than 5% of data lines requiring amendment or deletion | Additional time spent to resolve at £125 per half day |
| Regulator fines as a result of scheme employer's action or inaction | The fine amount plus £100 |
| Any other significant work the Fund is required to carry out in order to rectify errors caused a result of employer error | The Fund will recover the cost for the work involved based on officer hourly rates. |

Actuarial and other fees

25. Any requests for advice or work that is outside of the requirements of an administering authority as defined by the LGPS regulations will be recoverable from the relevant scheme employer or scheme member. This may include:

- Legal advice concerning admission or cessation
- Accounting valuation reports (FRS102, etc)
- Site visits or seminars

26. Such recoveries will recharge the cost incurred from the third party provider with no uplift or administration fee. If the work is to be undertaken by the administering authority itself, the fees will be agreed with the scheme employer or scheme member before work commences.

Interest on late payments

27. According to regulation 71, scheme employers are liable for interest on late payments including contributions and performance penalties. Interest will be charged according to this regulation on any overdue amounts. In addition, there will be a £100 charge for the administration of such action.

Divorce proceedings

28. Scheme members shall be liable for the administration costs of implementing a pension sharing order or other order related to divorce proceedings. The charge for this work is fixed at £500.

Strain costs

29. Pension strain costs or capital costs can occur in a number of situations. Depending on the situation, the scheme employer may be liable for the costs or the costs will be paid from the pension fund (the employer contribution rates include an element to cover these risks). The typical situations are as follows:
- Death - costs paid from pension fund
 - Ill-health retirement - costs paid from pension fund
 - Redundancy of an employee over the age of 55 - costs paid by scheme employer
 - Retirement of an employee over the age of 55 on grounds of efficiency or where the scheme employer chooses to waive the actuarial reduction that would otherwise apply - costs paid by scheme employer
30. Essentially, if the scheme employer controls when the costs occur (i.e. it chooses to do something) then they are liable for the costs. If it is out of their control the pension fund pays.