

# **NORTHAMPTONSHIRE PENSION FUND**

## **ADMINISTRATION STRATEGY**

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## **1. Introduction**

This document is the Administration Strategy of Northamptonshire Local Government Pension Fund managed by Northamptonshire County Council respectively (the administering authority).

The aim of this strategy is to set out clearly what is expected from the administering authority and the Fund's employers, in order to deliver a high quality, value for money service to scheme members.

## 2. Administration Strategy

This version of the Administration Strategy was reviewed and agreed by the Pension Fund Committee on 11 December 2020. It will be reviewed periodically to ensure the strategic objectives remain relevant.

A separate Business Plan including actions in relation to administration matters is produced and published annually. This outlines how the administering authority intends to deliver this strategy, including how we achieve our objectives, the measurements we have in place to monitor our success and a timetable of events.

### Regulatory framework

This strategy has been produced in accordance with Regulation 59 of the Local Government Pension Scheme Regulations 2013. The Regulations provide that administering authorities may prepare, maintain and publish a written statement setting out their policy concerning administration matters, and that the administering authority and its employing authorities must then have regard to that strategy when carrying out their functions.

The Regulations also require that the administering authority should consult with its employing authorities (and any other persons it considers appropriate) in preparing or reviewing its administration strategy.

In addition, regulation 70 allows an administering authority 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 administering authority 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.

This Administration Strategy therefore sets out the information as required by the Regulations mentioned above.

Nothing in this strategy overrides the legal responsibilities of any parties, for example the statutory requirement<sup>1</sup> to notify the Pension Regulator in the event of a material breach of the law.

### Key objectives

This strategy has been developed to help the Fund meet the following objectives:

- To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance.
- To ensure the relevant stakeholders responsible for managing, governing and administering the Fund, understand their roles and responsibilities and have the appropriate skills and knowledge to ensure those attributes are maintained in a changing environment.

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<sup>1</sup> Under section 70 of the Pensions Act 2004

- To put in place performance standards for the Fund and its employers and ensure these are monitored and developed as necessary.
- To administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.
- To maintain accurate records and ensure data is protected and used for authorised purposes only.
- To ensure cash flows in to and out of the Fund are timely and of the correct amount.

## Delivering the Objectives

### Procedures for liaison and communication with employers and other stakeholders

The delivery of a high quality administration service is not the responsibility of just the administering authority, but depends on the joint working of the administering authority with a number of individuals in different organisations to ensure scheme members, and other interested parties, receive the level of service in line with the Fund's objectives as well as ensuring that statutory requirements are met.

In particular, the administering authority relies on employers to provide them with the appropriate information to maintain accurate records and pay accurate benefits. The Fund acknowledges that this is a partnership arrangement, underlined by strongly targeted performance measures, as shown below:

- Providing a named contact (and deputy) at the Fund for all employer communications and queries
- Providing clear instructions and forms/interfaces to allow seamless transfer of information by employers
- Provide information within the performance standards outlined in this Strategy
- Ensure all information provided is correct by having an appropriate quality review process in place

In return, the employers within the Fund are expected to:

- Provide a named contact (and deputy) at the employer for all Fund communications and queries. Where multiple contacts are provided (for different duties) name one person who is ultimately responsible for ensuring the employer carries out their roles and responsibilities.
- Provide information to the Fund as outlined in instructions using the Fund's approved forms and/or interfaces
- Aim to provide information within the performance standards outlined in this Strategy
- Ensure all information provided is correct by having appropriate quality review in place

Full details of the procedures for liaison and communication between the Fund and its stakeholders are included within the Fund's communication strategy.

## **Performance Standards**

The Fund will ensure that all functions/tasks are carried out to the agreed quality standards. In order to comply with both the Regulatory requirements and the Fund's objectives, the administering authority aims to achieve a high quality administration service and timeliness of performance. Strong review of performance measures will determine this.

### **Procedures for ensuring compliance with statutory requirements and measuring levels of performance**

Various means will be employed, as determined from time to time, to assist in monitoring compliance with this Administration Strategy.

Methods may include:

- Internal/External Audit review of processes and internal controls
- Performance monitoring against administering authority tasks noted in Appendix C.
- Performance monitoring of the scheme employers against Appendix B.
- Compare performance against other Administering Authorities by using CIPFA Pensions Benchmarking club
- The Fund's scheme employer liaison function will offer the following services:
  - The opportunity for a biennial review meeting between a representative of the administering authority and the scheme employer to monitor and review performance against targets, the quality of information exchange and ensure compliance with statutory obligations.
  - Seminars and training sessions, including webinars, on the most pertinent issues affecting Fund members and employers
  - A scheme employer Forum will be held, at least on an annual basis
  - A scheme employer Helpdesk is available from 9am to 5pm during normal working days to answer queries by telephone or email.

## **Improving Administration**

Using the means mentioned above, the Fund will monitor progress against this strategy. This information is reported to the Fund's Pension Committee and Pension Board alongside any remedial action taken where the expected standards are not being met. In addition, key performance indicators relating to the Fund and its employers' performance will be reported in its Annual Report and Accounts.

### **Circumstances where the administering authority may levy costs associated with the employing authorities poor performance**

Regulation 70 of the Local Government Pension Scheme Regulations 2013 provides that an administering authority may recover from an employing authority any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that employing authority. Where an administering authority 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; and
- The provisions of the pension administration strategy relevant to the decision to give notice.
- In instances where the performance of the scheme employer results in fines being levied against the administering authority by the Pension Regulator, Pensions Ombudsman or other regulatory body, these costs will be recoverable immediately.

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

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.

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 Fund within the stated timescales
- Instances where the performance of the scheme employer results in fines being levied against the Fund by the Pensions Regulator, Pensions Ombudsman or other regulatory body.
- Instances where an act or failure to act by an employer results in an unauthorised payment under the Finance Act 2004 which results in the Fund being subject to a tax liability.
- Instances where an act or failure of a scheme employer results in a benefit being incorrectly awarded and the subsequent overpayment is not able to be recovered from the scheme member.

The approach by the Fund when such instances occur is as follows:

1. Write to the employer noting the Fund's areas of concern regarding the employer's performance and offer training or a meeting to address the issue.

Note that some performance standards are expressed as a percentage less than 100%. This recognises that for certain, often high volume, work there may be legitimate reasons why 100% compliance with a target is not possible. For these categories the target is measured monthly in order to highlight areas of potential concern.

- 2a. If no improvement is made within one month of the above date, or where the matter in question is not a regular event and no improvement is made at the next occasion that that same matter occurs, **and the offer of training or a meeting has not been accepted**, the Fund will issue a formal written notice. The notice will set out the area(s) of concern that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.

**OR**

- 2b. If no improvements is made from one month following either a training session or a meeting with the scheme employer, or where the matter in question is not a regular event and no improvement is made at the next occasion that that matter occurs following the training or meeting, the Fund will issue a formal written notice. The notice will set out the area(s) of concern that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.

3. An invoice will then be issued to the scheme employer which sets out calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of unsatisfactory performance, in accordance with the fee scale set out in this document.

4. All instances of additional costs recharges will be presented to the Pension Committee and Pension Board.

All communications will be directed to our most senior contact within a scheme employer organisation from the beginning of this process. In the case of poor performance by a third party HR/payroll supplier, the relevant scheme employer will be informed of action being taken from the outset of the process.

**Any costs recovered will be paid into the Pension Fund to reduce the administration cost to all scheme employers in the Fund.**

#### Illustrative additional administration costs

Based on the Fund's experience of dealing with late or inaccurate information, we have been able to make accurate estimates of the amount of additional resource required in order to remedy the problems this causes. The costs below reflect the additional resource required to chase information and correct inaccurate data. They also reflect the fact that having to re-run calculations multiple times as a result of poor data presents an opportunity cost as staff would be otherwise more productively engaged.

Note that any further costs incurred as the result of non-payment of invoiced additional costs will also be passed on to the relevant scheme employer.

As such the fees shown below are illustrative and may be higher (or lower) if individual circumstances are atypical.

<b>Employer Scheme Function/Administration process</b>	<b>Description</b>	<b>Illustrative</b>
<b>Monthly contribution pay over</b>	<p>Late payment of employee, employer and additional pension contributions (APC/ARC/Added years) to the Fund by the 19<sup>th</sup> of the month following deduction.</p> <p>No schedule of payments sent and received by the Fund</p>	<p>£80 if no interest charge</p> <p>Additional £100 if interest needs to be calculated</p> <p>Interest payable at prevailing rate if payment more than 30 days late: £80</p>
<b>New active member</b>	<p>Scheme employer has not notified the Fund within 10 working days of the relevant calendar month end</p>	<p>£50 per notification</p> <p>A further £30 for each month the notification is outstanding</p>
<b>Leavers (non-retirement)</b>	<p>Scheme employer has not notified the Fund of any leaver.</p> <p>The late or non-provision of a leaver form.</p> <p>Poor data detailed on the form, in particular inaccurate pay details.</p>	<p>£50 per notification</p> <p>A further £30 for each month the notification is outstanding</p>
<b>Retirement</b>	<p>Scheme employer has not notified the administering authority that a member is due to retire within 10 working days before date of leaving.</p> <p>Non-provision of retirement form, poor data detailed on the form – particularly inaccurate pay details.</p>	<p>£160 per notification</p> <p>A further £80 for each month the notification remains outstanding</p> <p>These higher rates reflect the fact the retiree will be chasing the administering authority for their pension</p>

<p><b>Monthly/annual membership data</b></p>	<p>Scheme employer has not provided monthly data within 10 working days of the relevant calendar month end and/or quality of data provided is poor and requires manual intervention.</p> <p>Scheme employer has not provided year end data by the 30<sup>th</sup> April and/or quality of data provided is poor and requires manual intervention and additional data cleansing.</p>	<p>£400 per data file</p> <p>A further £200 per month the data is outstanding</p>
<p><b>Monthly/Annual data queries</b></p>	<p>Scheme employer has not responded to queries regarding submitted monthly or annual data within 10 working days of this request or the response has been unsatisfactory and queries remain outstanding</p>	<p>£100 per omission</p> <p>A further £60 per month of non-response or unsatisfactory replies</p>

### Further information

If you would like more information about the Scheme please contact us at the address below:

Pensions Service  
One Angel Square  
Angel Street  
Northampton  
NN1 1ED

[pensions@northamptonshire.gov.uk](mailto:pensions@northamptonshire.gov.uk)  
<http://pensions.northamptonshire.gov.uk/>

### 3. Appendix A – Whole Fund Administration Performance Standards

The following are key indicators where the target can only be achieved by the Administering Authority and Employing Authorities both delivering high levels of administration.

Function / Task	Indicator	Target
Notify leavers of deferred benefit entitlements	Deferred award letter sent within 40 working days of last day of employment.	90%
Notify employees retiring from active membership of benefits award	Issue award within 5 working days after payable date or date of receiving all necessary information if later.	95%

## Appendix B –Employer Performance Standards

The following are the performance targets that the Employer will be expected to meet.

Function/Task	Indicator	Target
Confirm nominated representatives	Representative confirmed within 30 working days of employer joining fund or change to nominated representative	100%
Arrange for the correct deduction of employee and employer contributions and pay over in a timely manner for both monthly and annual returns.	Number of months in the year where contributions were in the Pension Fund by the 19 <sup>th</sup> calendar day of month after deduction	100%
Upon receipt of a notification from an Additional Voluntary Contribution (AVC) provider of an employee's election to pay, vary the amount or cease AVCs (or Shared Cost AVCs where applicable), to apply the notification accordingly and where applicable deduct from a member's pay the contributions as instructed by the AVC provider.	Within 1 month of receipt of notification from the AVC provider	100%
Pay over to the specified AVC provider contributions deducted from a member's pay.	Within 7 days of deduction from pay	100%
Must have published Employer Discretions, accessible by all employees and copy provided to the administering authority.	Discretions published and provided to administering authority within 30 days of approval	100%
Discretions must be reviewed and amended as necessary	Any amendments to discretion must be confirmed in writing within 30 days from change	100%

Function/Task	Indicator	Target
Upon receipt of a notification of an employee's election to pay Additional Regular Contributions, to apply the notification accordingly and where applicable deduct from a member's pay and pay over the contributions as instructed.	Within 1 month of notification	100%
Respond to enquiries in respect of retirements, estimates or any other query identified as urgent.	Response received within 5 working days from receipt of enquiry.	100%
Respond to enquires in respect of those queries deemed as non urgent	Response received within 10 working days from receipt of enquiry.	95%
Provide new employees with scheme information	Within the automatic enrolment joining window.	100%
Determine appropriate rate of employee contributions for new scheme members in the LGPS	Decisions made by time of first salary payment.	100%
Provide all necessary information regarding new starters and hours/weeks per year variations.	Within 10 working days of the relevant calendar month end	95%
Determine reason for leaving and Final pay, issue entitlement award to member and leavers certificate to the administering authority for leavers NOT entitled to immediate payment of pension.	Certificate received within 15 working days of date of leaving	95%
Provide monthly and annual membership data in prescribed format.	Information to be provided for all Members within 10 working days after the end of the relevant calendar month for monthly data and by 30 April following year end	100%

Function/Task	Indicator	Target
Determine reason for leaving and Final pay, issue entitlement award and retirement pack to member and leavers certificate to the administering authority for retirees entitled to immediate payment of pension.	Certificate received at least 10 working days <u>before</u> date of leaving.	95%
Must have published Employer Discretions, accessible by all employees and copy provided to the administering authority.	Discretions published and provided to administering authority within 30 days of approval	100%
Discretions must be reviewed and amended as necessary	Any amendments to discretion must be confirmed in writing within 30 days from change	100%

## Appendix C – Administering Authority Performance Standards

The following are the headline performance targets that the administering authority will be expected to meet.

Function / Task	Indicator	Target
<b>LIAISON AND COMMUNICATION</b>		
Confirm nominated employer liaison officers	10 working days of employer joining fund or change to nominated officer	100%
Publish and keep under review the administration strategy.	Within three months of decision to develop an administration strategy or one month of any changes being agreed with scheme employers	100%
Keep up to date the employer website, including procedural guides, scheme guide and all other documents and forms	20 working days from date of change/amendment	100%
Formulate and publish policies in relation to all areas where the Administering Authority may exercise a discretion within the scheme	Within 30 working days of policy being agreed by the Pensions Committee	100%
Organise training sessions for scheme employers, subject to fair use of training resource	Training date agreed with employer within one month of request	100%
Notify the employer and scheme members of changes to the scheme rules	Within one month of being informed of the change	95%
Notify the employer of any issues relating to its poor performance (including arranging meeting if required)	Within 20 working days of performance issue becoming apparent	90%
Notify the employer of any costs recoverable under this Strategy associated with their poor performance (including any interest that may be due)	Within 20 working days of the event	100%

Function / Task	Indicator	Target
<p>Issue annual benefit statements to active members as at 31 March each year</p> <p>Statements will be published to member's online pension account, unless they have provided a written instruction to opt out of electronic communications.</p>	<p>Statements to be published on the members online pension account by the following 31 August (pending timely receipt of satisfactory year end data from the scheme employer).</p> <p>If the member has opted out of electronic communications, the statement should be posted by 31 August.</p>	100%
Issue annual benefit statements to deferred benefit members as at 31 March each year for those which we have an up to date address	By the following 30 June	100%
<b>FUND ADMINISTRATION</b>		
Issue formal valuation results (including individual employer details) Carry out cessation valuation exercise on cessation of admission agreements or employer ceasing participation in the Pension Fund	20 working days from receipt of results from Fund Actuary (but in any event no later than 31 March following the valuation date)	100%
Carry out a cessation valuation exercise on cessation of admission agreements or employer ceasing participation in the Pension Fund.	Initiated within 40 days with Fund Actuary plus results issued to employer within 2 months of clean data	100%
Publish, and keep under review, the Administering Authority's governance policy statement	Within 30 working days of policy being agreed by the Pensions Committee	100%

Function / Task	Indicator	Target
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 Fund's Actuary. Revised statement to be issued with the final valuation report	100%
Publish the Pension Fund annual report and any report from the auditor.	By 31 August following the year end	100%
Provide an FRS17/IAS19 report to employers for their chosen accounting date	Within one month of the accounting date providing employer has agreed to costs and returned required data by 1 <sup>st</sup> of the month in which the accounting date falls	100%
<b>SCHEME ADMINISTRATION</b>		
Provide transfer-in quote to scheme member	Letter issued within 10 working days of receipt of all appropriate information	95%
Confirm transfer-in payment and service credited to scheme member	Letter issued within 10 working days of receipt of transfer payment by Pension Fund (or receipt of all information needed to complete calculations if later)	90%
Notify the employer of scheme member's election to pay or cease paying additional regular contributions and other contracts, including all required information to enable deductions to commence or finish.	Email sent within 5 working days of receipt of election from scheme member	95%

Function / Task	Indicator	Target
Calculate cost of additional regular contributions, and notify scheme member	Letter sent within 10 working days of receipt of request from scheme member	90%
Provide requested estimates of benefits to employers including any additional fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency	Estimate in agreed format provided within 10 working days from receipt of all information	90%
Provide a maximum of one estimate of benefits to employees per year on request.	Estimate in agreed format provided within 10 working days from receipt of all information	90%
Provide a maximum of one cash equivalent transfer value (CETV) to employees per year on request	Provided within 10 working days from receipt of all information	90%
Provide a divorce quotation to employees on request	Provided within 10 working days from receipt of all information	90%
Notify leavers of deferred benefit entitlements or concurrent amalgamation.	Issue award or confirm amalgamation within 10 working days of receiving all necessary information.	90%
Notify employees retiring from active membership of benefits award.	Issue award within 5 working days after payable date or date of receiving all necessary information if later.	95%
Payment of ongoing pension (not including the first pension payment).	Eligible payments made on the publicised payment date.	100%
Acknowledge death of active/deferred/pensioner member.	Letter issued within 5 working days following notification of death	100%

Function / Task	Indicator	Target
Provide responses to other enquiries from scheme members, scheme employers, personal representatives, dependents and other authorised persons	Full response within 5 working days from receipt of all information needed to respond to enquiry	90%
Where a full response will not be available within the published service standards send an acknowledgement and provide the expected timescale.	Acknowledgement within 5 working days from receipt of initial enquiry	100%
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”	100%
Process all stage 2 pension dispute applications	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.	100%
Publish and keep under review the Pension Fund policy on the abatement of pension on reemployment	Notify scheme members and scheme employers within one month of any changes or revisions to the policy	100%