

Administration Strategy

Introduction

The Local Government Pension Scheme (LGPS) is one of the largest public sector pension schemes in the UK. The Surrey Pension Fund (SPF) is part of the LGPS and is the Administering Authority for almost 300 employers in the scheme.

The LGPS is a valuable element of the total remuneration package of employees working with employers in the scheme. Good quality administration and communication of the overall benefits of the LGPS aids in the confidence of membership towards the scheme and in their value of this employee benefit.

The LGPS Regulations 2013 enables the Administering Authority to prepare a written Pension Administration Strategy (the Strategy) of its policy in relation to communications between and levels of performance for both the SPF and employers within the scheme.

This Strategy replaces the current Pension Administration Strategy with effect from 1 April 2020 and applies to all existing employers in the Fund, and all new employers joining the Fund after the effective date of 1 April 2020.

The Strategy sets out the expected levels of administration performance of both the SPF and the employers within the Fund, as well as details on how performance levels will be monitored and the action that might be taken where persistent failure occurs.

The Strategy is broken in to nine sections:

1. Regulatory context of the Strategy
2. Aims of the Strategy
3. Service standards of the SPF
4. Requirements for scheme employers
5. Outline of additional administration charges
6. Additional fees that may be charged by the Surrey Pension Administration Team
7. Additional penalties for poor performance by employers
8. Penalties for poor performance by the Surrey Pension Administration Team
9. Consultation and review

Surrey County Council has delegated responsibility for the management of the SPF to the SPF Committee (Committee), taking into consideration advice from the Surrey Local Pensions Board (Board). The Committee and Board will monitor the implementation of this Strategy. Any enquiries in relation to this Strategy should be addressed to:

Governance Manager
Surrey Pension Team
PO Box 471
Reigate
RH2 2HA
Email: adele.seex@surreycc.gov.uk

1. The Regulatory Context of the Strategy

In accordance with the Public Sector Pensions Act 2015, the LGPS is regulated by the Pensions Regulator (tPR). The SPF and scheme employers and employers are also required to comply with regulatory guidance or Code of Practice issued by tPR.

The Local Government Pension Scheme Regulations 2013 (**Regulation 59 (1)**) enables a LGPS Administering Authority to prepare a written statement of the Administering Authority's policies in relation to such matters mentioned in **Regulation 59 (2)** that it considers appropriate. This written statement shall be known as the "Pension Administration Strategy" and shall include the following:

- Procedures for liaison and communications between the Administering Authority and Scheme Employers (its Scheme Employers);
- The establishment of levels of performance which the Administering Authority and its Scheme Employers are expected to achieve in carrying out their Scheme functions ("Service Level Agreements (SLA)"). These functions are:
 - (i) the setting of performance targets,
 - (ii) the making of agreements about levels of performance and associated matters, or
 - (iii) such other means as the administering authority considers appropriate
- Procedures which aim to secure that the Administering Authority

and its Scheme Employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

- Procedures for improving the communications by the Administering Authority and its Scheme Employers to each other of information relating to those functions;
- The circumstances in which the Administering Authority may consider giving written notice to any of its Scheme Employers under these regulations (additional costs arising from the Scheme Employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under the SLA;
- The publication by the Administering Authority of annual reports dealing with:
 - (i) the extent to which the Administering Authority and its Scheme Employers have achieved the level of performance established under the SLA;
 - (ii) such other matters arising from The Pension Administration Strategy as the Administering Authority considers appropriate.
- Such other matters as appear to the Administering Authority after consulting its Scheme Employers and such other persons as it considers appropriate, to be suitable for inclusion in The Pension Administration Strategy.

In addition **Regulations 59 (3 -7)** requires that:

- Where the Administering Authority produces a Pension Administration Strategy, it is kept under review and revised where appropriate;
- When reviewing or revising the Pension Administration Strategy the Administering Authority must consult with its Scheme Employers and such other persons it considers appropriate;
- Where the Administering Authority produces a Pension Administration Strategy or revises that strategy it must send a copy of it to each Scheme Employer and to the Secretary of State;
- The Administering Authority and Scheme employers must have regard to the Pension Administration Strategy when carrying out functions under the LGPS regulations.

Regulation 60 requires each employing authority to publish its discretion on;

- funding additional pension [16(2)(e) and 16(4)(d),
- flexible retirement [30(6)],
- waiving actuarial reductions [30(8)],
- the award of additional pension [31] and, in addition,
- **Regulation 14 of the Local Government (Discretionary Payments)(Injury Allowances) Regulations 2011** requires employers to publish and keep under review its policy on these regulations.
- There are also a number of discretionary discretions under the current regulations and some mandatory discretions under previous sets of regulations.
- The Pension Fund Team can provide template discretion policies upon request.

Regulation 70 of the Local Government Pension Scheme Regulations 2013 enables the Administering Authority to recover additional costs from a Scheme Employer when, in the opinion of the Administering Authority, it has incurred additional costs because of the poor performance of the Scheme Employer in relation to the Pension Administration Strategy SLA.

The Administering Authority may give written notice to the Scheme Employer stating:

- the Administering Authority's reasons for forming the opinion;
- the amount the Administering Authority has determined the Scheme Employer should pay under **Regulation 69(1)(d)** in respect of those costs and the basis on which the specified amount is calculated;
- the provisions of the Pension Administration Strategy which are relevant to the decision to issue the notice.

2. Aims of the Strategy

In accordance with the Public Sector Pensions Act 2015, the LGPS is regulated by the Pensions Regulator (tPR). The SPF and scheme employers and employers are also required to comply with regulatory guidance or Code of Practice issued by tPR.

The aims of the Strategy are to:

- set out the quality and performance standards expected of the Fund and scheme employers;
- to promote good working relationships and improve efficiency between the SPF and scheme employers;
- ensure scheme employers are aware of and understand their roles and responsibilities under the LGPS regulations;
- ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time;
- maintain accurate records and ensure data is protected and has authorised use only;
- ensure that the administration costs attributable to scheme employers are charged proportionately.

The efficient delivery of the benefits of the scheme is reliant upon effective administrative procedures being in place between the SPF and scheme employers.

This Strategy sets out the expected levels of performance of the SPF and scheme employers and the action(s) that might be taken where standards are not met by employers and/or when non-compliance occurs. It also provides scheme employers with an outline of administration charges they may occur in addition to the administration allowance contained in the employer contribution rate.

3. Service standards of the SPF

Overriding legislation, including The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended), dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the scheme. Further, the LGPS itself sets out a number of requirements for the Administering Authority or employers to provide information to each other, to scheme members and to prospective scheme members, dependants, other pension arrangements or other regulatory bodies. In addition to the legal requirements, SPF has performance standards which cover all aspects of the administration of the SPF.

The SPF service standards are reviewed by the Pensions Fund Committee, Local Pensions Board and are available for consideration by tPR. Regular reporting is undertaken, and performance is also shown in the SPF annual report and accounts. The following sets out the SPF key performance indicators.

Activity	Description	Service standards	Limits
New starter	When the team receives electronic/paper notification of the new starter. They will verify the information, set up a new record and send confirmation to the new member.	30 working days	No

Activity	Description	Service standards	Limits
Inter-fund adjustment in (aggregation) estimate	Check previous service recorded on starter form and write to previous provider(s) if a transfer has been requested	20 working days	No
Inter-fund adjustment in (aggregation) actual	Check correct payment has been received, update database and issue statutory notice.	20 working days	No
Transfer-in estimate	Check previous service details and offer member the option to transfer and advise of timescales	20 working days	No
Transfer-in actual	Check correct payment has been received, update database and issue statutory notice	20 working days	No
Additional Pension Contributions Actual	Update database and inform payroll of the additional pension contribution deduction to be made	20 working days	No
Additional Voluntary Contributions	Provide information on the Fund's AVC schemes	10 working days	No
Nomination Forms	Update database and send acknowledgement	20 working days	No
Member correspondence	Reply to member query	20 working days	No
Employer correspondence	Reply to employer query	20 working days	No

Activity	Description	Service standards	Limits
Employee Estimates	Estimate of deferred benefits and/or voluntary retirement for age 60 and over	30 working days	No
Employer estimate	Provide employer with estimate as requested ¹	10 working days	More than five estimates at a time per employer will require additional resource, to be agreed with the SPF.
Refunds (Frozen Refunds)	Calculate refund due and issue payment	20 working days	No
Opt-outs	Provide a memo to payroll to cease contributions and inform the member accordingly	20 working days	No
Deferred	Calculate final pay for surrey members, deferred benefits and issue confirmation to all members	2 months	No
Inter-Fund Adjustment Out Estimate	Provide service and pay details to new employer	20 working days	No

¹ Scheme employers are encouraged to utilise the on-line self-service estimate portal. This will provide instant estimate results.

Activity	Description	Service standards	Limits
Inter-Fund Adjustment Out Actual	Issue payment	20 working days	No
Provide estimate of transfer value	Provide transfer details	20 working days	No
Make payment of transfer value	Issue payment	20 working days	No
Death in service	Send condolence letter, request certificate and enclosed any claim forms	5 working days	No
Death in service final letter	Provide details of deceased salary for Surrey members, monies due to/from the estate, calculation of any spouse's and dependants benefits, send letter and make payment of any death grant	10 working days	No
Death of deferred member initial	Send condolence letter, request certificates and enclosed any claim forms	5 working days	No
Death of deferred member final	Provide details of any benefits due and make payment of death grant	10 working days	No
Deferred in to payment	Send initial letter and forms to member	10 working days	No

Activity	Description	Service standards	Limits
Retirement	Calculate final pay for Surrey members, retirement benefits and send initial letter and forms to all members	15 working days	No
Payment of retirement grant and initiate pension.	Issue payment of retirement grant and initiate payroll record	15 working days	No
Revised Payments including Guaranteed Minimum Pensions/Modifications	Inform the member of any adjustments to the pension in payment and update payroll entry	20 working days	No
Death on pension	Terminate payment, send condolence letter, request certificate and enclosed any claim forms	5 working days	No
Death on pension final letter	Provide details of deceased's pension, monies due to/from the estate and spouse's/dependants benefits	10 working days	No
Complaints		All complaints to be dealt with in line with the additional criteria	No

5. Outline of additional administration charges

The following scheme functions are outside of the work covered by the administration allowance as part of the employer contribution rate (this can often be because the charges relate to employers who are yet to be admitted to the SPF). These fees will be payable by scheme employers and are generally related to actuarial, legal or administration costs.

Activity	Description	Indicative charge	Comments
New employer processing	Assessment of contribution rate of the new scheme employer	According to the prevailing rates of the SPF actuary	Costs will increase if there are delays in providing data or date requires recalculation
	Assessment of the bond value of the new scheme employer (if applicable)	According to the prevailing rates of the SPF actuary	Costs will increase if there are delays in providing data or date requires recalculation
	Assessment of the cost attributable to pension risk (if applicable)	According to the prevailing rates of the SPF actuary	Costs will increase if multiple calculations are required
	Drafting and executing of admission agreements (if applicable)	According the prevailing rates of the SPF legal advisers	Costs will increase according to the complexity of the negotiated drafting of the admissions agreement
	Admission administration costs	Charged at the prevailing SPF officer rates (estimated £1,000).	Costs will increase according to the complexity of the negotiated admission to the SPF. Costs will

Activity	Description	Indicative charge	Comments
			incurred irrespective of whether or not the applying Scheme Employer abandons the application.
Re-assessment of the bond value of the new scheme employer	The SPF will re-assess bond values in line with the conditions laid out in the admissions agreement.	According to the prevailing rates of the SPF actuary	
Reports for scheme employer FRS102/IAS19 returns	The SPF will complete a pension data report required for scheme employer FRS102/IAS19 accounting returns.	Administration charge of between £200 and £400 plus VAT. Any further charge would be in accordance with the prevailing rates of the Fund actuary	
General actuarial queries	Additional actuarial queries in relation to the scheme employer	According to the prevailing rates of the SPF actuary	
General legal queries	Additional legal queries in relation to the scheme employer	According to the prevailing rates of the SPF legal advisers	
Pension strain costs	A pension strain cost may be incurred by the scheme employer where a member retires early on the grounds	The SPF will calculate the strain cost. Payment will be due as a lump-sum payment within 30	Costs are based on age, gender, service and pay of the member.

Activity	Description	Indicative charge	Comments
	of redundancy or business efficiency or where an active member or deferred member chooses to retire early and the scheme employer elects to waive the actuarial reduction to their pension.	days of being invoiced in line with the PAS Service Level Agreement.	
Valuation of unfunded liabilities	Calculation and invoicing of unfunded liabilities relating to additional pension benefits awarded to employees which do not form part of their entitlement under the LGPS Regulations.	Annual administration charge of £250.	
Costs of awarding additional pension	The scheme employer may elect to award additional pension to a member. This will incur a charge.	The SPF will calculate the cost. Payment will be due as a lump-sum payment within 30 days of being invoiced in line with the PAS Service Level Agreement.	
Cessation costs	The Scheme Employer will incur a cost if they cease membership of the SPF.	Charged at the prevailing SPF actuary's rates (approximately £3,000 plus VAT)	<i>These costs are in addition to any cessation deficit payment required in</i>

Activity	Description	Indicative charge	Comments
<i>accordance with the Funding Strategy Statement</i>		Further charge is according to the prevailing rates of the Fund actuary The SPF approach to Scheme Employer cessation is laid out in the Funding Strategy Statement.	
Provision of stage 1 Internal Dispute Resolution Procedure (IDRP) adjudication	The Scheme Employer will incur an administration fee if they nominate the SPF as their stage 1 IDR adjudicator.	Charged at the prevailing SPF officer rates (not exceeding £500.00 except in the most complicated cases).	Costs will increase according to the complexity of the case.
Establishment of security for the Fund	The Scheme Employer will incur a cost of establishing a form of security required by the Fund; e.g. a legal charge, Bond or Escrow account.	Administration charge of £500. Further charge in according to the prevailing rates of the SPF actuary and legal advisers.	
Covenant assessment	The Scheme Employer will incur a cost of the Fund carrying out a covenant assessment of the Scheme Employer to establish risk assurance.	Administration charge of £500. Further charge is according to the prevailing rates of the SPF covenant advisers (approximately £10,000, depending on circumstances).	

6. Additional fees that may be charged by the Surrey Pension Administration Team

Activity	Description	Indicative charge	Comments
Pension sharing on divorce pension in payment CEV (pensioners)	Charges may be levied for CEVs because they are not part of business as usual.	Charge of £117	
Pension sharing on divorce implementing a pension sharing order	Charges may be levied for CEVs because they are not part of business as usual.	Charge of £643	
Additional cash equivalent transfer values (CETVs)	Additional quotations may be provided	None	There is no statutory basis for charges.

7. Additional costs arising from an employer's level of performance (regulation 70)

Activity	Description	Indicative charge	Comments
Failure to provide end of year returns in good time	This prevents the Pension Section from producing annual benefit statements, delays the processing of pension benefits and hinders the smooth administration of the pension scheme and runs the risk of incurring substantial fines from the Pensions Regulator.	A charge of up to £5,000 will be payable if the end of year return is received later than 30 th June as it may be too late to produce an annual benefit statement (they must be sent out by 31 st August).	
Failure to provide monthly contribution returns in good time	This is dealt with in requirements for scheme employers (above).		
Failure to initiate an admission agreement or arrange alternative pension arrangements before a contract is let.	This leads to great uncertainty for the members being transferred and a considerable amount of additional work for the Pension Fund Team.	A charge of up to £2,000 depending upon the severity of the delay.	
Failure to pay pension strain costs in good time.	This is dealt with in requirements for scheme employers (above).		
Pension recharges that are late for any reason.	As the payments are made from the pension fund the pension fund suffers if it is not reimbursed promptly.	Interest at 1% above base rate from the date the payment fell due. This provides modest protection for the pension fund without being too onerous for employers.	

8. Additional costs arising from an employer's level of performance (regulation 70)

Activity	Description	Indicative charge	Comments
Failure to self-calculate a contribution rate within 10 working days.	This can lead to uncertainty for the employees being transferred and additional work for the Pension Fund Team.	A penalty of up to £500.00 depending the severity of the delay.	
Failure to provide membership data for new academies within 15 working days.	This can lead to uncertainty for employers and additional actuarial fees for the Pension Fund Team.	A penalty of up to £500.00 depending the severity of the delay.	
Failure to provide membership data for exiting employers 15 working days.	Failure to provide this information in good time can lead to a breach of the law, reputational damage for the pension fund and generate considerable additional work for the Pension Fund Team.	A penalty of up to £1,000.	
Failure to produce papers for the Local Pension Board, Local Firefighters Board and Pension Fund Committee within the deadlines.	This makes the board roles harder, leads to additional work for the Pension Fund Team and undermines effective scrutiny.	A penalty of up to £500 per paper.	

Activity	Description	Indicative charge	Comments
Failure to provide the pension strain costs flowing from early retirements to the Pension Fund Team.	The consolidated schedule for the quarter must be provided within ten working days of the end of the quarter. Any delay can lead to a serious loss of investment returns.	A penalty of up to £1,000 in addition to any other penalties payable, depending upon the severity of the delay.	
Failure to recharge the Compensation / Crombie / Injury award costs flowing from the payment of compensation benefits.	The consolidated schedule for the month must be produced within ten working days of the end of the month. Any delay can lead to a serious loss of investment returns.	A penalty of up to £1,000 in addition to any other penalties payable, depending upon the severity of the delay.	

9. Consultation and review

In preparing this administration strategy statement the SPF consulted with Scheme Employers. The original consultation period intended to run from 16 December 2019 to 31 January 2020 but the deadline was extended in order to allow more time for employers to respond.

Following the consultation, employers' comments were reviewed and have been added to the final administration strategy.

The final administration strategy was approved on 13 March 2020 and it will be kept under review. The Strategy will be subject to basic annual reviews and thorough periodic reviews that are aligned with the (currently) triennial valuations.

All Scheme Employers will be consulted before any material changes are made to the Strategy.

Note: This document has been updated in August 2022 to reflect changes in contact details at the Fund and to remove references to Orbis which is no longer involved in the administration of the Fund.