

**Northumberland County Council**  
**LGPS**  
**Administration Strategy**

**Administered by Northumberland County Council**  
**29 January 2018**

**Delivery of LGPS administration**

Northumberland County Council (NCC) is administering authority for the NCC Pension Fund and has delegated responsibility for the management of this LGPS Pension Fund ("**the Fund**") to the Pension Fund Panel, taking into consideration advice from the NCC LGPS Local Pension Board. The Pensions Fund Panel will monitor the implementation of this Strategy.

The LGPS administration service for NCC is undertaken by South Tyneside Council ("**STC**") as part of a **shared administration service** on behalf of Tyne and Wear Pension Fund (TWPF) and NCC Pension Fund.

This Strategy applies to all existing employers in the Fund, and all new employers joining the Fund after 29 January 2018.

**Introduction**

1. The NCC Pension Fund is part of the Local Government Pension Scheme (LGPS). The Fund's pension administration service is provided by STC. Contact details for the Fund and for STC are shown at the end of this Strategy. Throughout this Strategy, the distinction is made between:
  - ❖ **the Fund** which deals with LGPS investments, actuarial valuation process and collection of contributions and is based at NCC, County Hall, Morpeth, Northumberland, NE61 2EF; and
  - ❖ **STC** which deals with all other LGPS pensions administration on the Fund's behalf and is based at Town Hall and Civic Offices, Westoe Road, South Shields, Tyne and Wear, NE33 2RL
2. The LGPS regulations, listed in **Appendix A**, make employers and the Fund jointly responsible for the administration of benefits, with each having their own duties and discretions.
3. It is essential that both parties understand what they are required to do and communicate with each other effectively and in a timely manner. Failure to achieve this can result in

- members suffering loss and distress
  - the pensions regulatory organisations fining and publicly naming and shaming a party that is at fault
  - employers' contributions being set at higher levels.
4. Regulation 59 of the Local Government Pension Scheme Regulations 2013 allows pension funds to prepare a Pension Administration Strategy.
5. This Strategy is designed to help employers and the Fund work together to improve data quality and reduce the risk of rules breaches that could result in penalties. Its focus is on the timely flow of accurate information between employers and the Fund.
6. The Strategy is one of a number of initiatives that the Fund has introduced to assist employers on pension matters. The other initiatives include
- employer area including an **Employers' Guide** on the STC website ([www.twpf.info](http://www.twpf.info))
  - on line access to the LGPS administration system, including the ability to carry out "what if" calculations
  - liaison meetings and training for employers to discuss topical issues
  - an annual employers' meeting
  - a panel of doctors to assist with ill health retirement decisions
  - a dedicated client manager.

#### **Client manager at STC**

7. Each employer has been notified of its client manager at STC before 29 January 2018 or will be notified when it joins the Fund.
8. Each employer can contact the STC client manager with any queries on LGPS pensions administration.

#### **Nominated representatives and authorised signatories**

9. Each employer must nominate a person who will be responsible for pension matters and will be the Fund's and STC's primary contact point. The nomination must be made by a senior manager.

10. One or more authorised signatories are required, one of whom may be the nominated contact.
11. All documents and instructions sent by an employer must be signed by an authorised signatory. Where information is submitted electronically to STC, a suitable alternative to a signature will have been defined by STC.
12. An employer must provide STC with the names and specimen signatures of the authorised signatories.
13. An employer must ensure that the contact details of the nominated contact and the list of authorised signatures are correct and notify STC's Communications Team of changes immediately.

### **Employer duties**

14. **Appendix B** lists an employer's main duties. Those duties that have a significant impact on administration are discussed below. All data transmitted must be safeguarded and transferred between parties following good practice security methods.

### **Payments to the Fund**

15. An employer must ensure that employee and employer contributions are deducted at the correct rate and paid to the Fund. The exception to this is member voluntary contributions deducted under the Fund's Additional Voluntary Contribution facility, which must be paid directly to the appropriate provider.
16. All contributions deducted in any month must be received by the Fund on or before the 14<sup>th</sup> of the following month. If the 14<sup>th</sup> of a particular month is a non-banking day then payment should be made by the last banking day before the 14<sup>th</sup>.
17. In the event of late or non-payment, the Fund may inform The Pensions Regulator and the relevant employees. The Fund may also be required to name a late paying employer in its Annual Report.

18. If correct contributions have not been deducted, the employer must immediately pay any outstanding employer contributions and, unless an alternative has been agreed, employees' contributions due to the Fund.

**Year-end information**

19. An employer must provide STC with authorised year-end information to the 31<sup>st</sup> March of each year by 23<sup>rd</sup> April in the format advised by STC. Because of the importance of the information contained in the year-end return, the return must bear the signature of a senior manager. If none of the employer's authorised signatories are of sufficient seniority then the return should be signed by an authorised signatory and countersigned by the senior manager.
20. STC will confirm the required format and content by the end of January. When changes to format or content become necessary, STC will advise employers at the earliest opportunity to give employers time to amend their systems and procedures for the extraction and supply of the information.
21. The information must include a statement that
  - balances the amounts paid to the Fund during the year with the totals on the year end return
  - certifies that the amounts paid to the Fund reflect the contributions deducted from employees during the year.
22. The year-end information must show, in respect of each member
  - his/her name, National Insurance number and contribution rate
  - the section (main or 50:50) the member was contributing to at either the year-end or his/her last day of service
  - the amount of main section contributions deducted from the employee and the pensionable pay in the main section
  - the amount of 50:50 section contributions deducted from the employee and the pensionable pay in the 50:50 section
  - the FTE Final Pensionable Pay (definition as per the 2008 Regulations)

- the amounts of employer and employee additional pension contributions and additional voluntary contributions deducted, and the period over which those contributions have been deducted.
23. Additional information may be required for data-matching purposes, including for the National Fraud Initiative.
24. If the year-end information is not received by 23<sup>rd</sup> April, the Fund may not be able to meet legal requirements:
- that, in a valuation year, valuation data is supplied to the Government Actuary's Department by 31<sup>st</sup> August of that year. This could compromise attempts to keep employer contributions affordable and might result in employers having to pay higher employer contributions than would otherwise be the case
  - to provide certain members with statutory information regarding a potential requirement to declare growth in the capitalised value of their pension entitlements. This could result in some of members incurring HMRC penalties for failing to declare required information
  - to provide annual benefits statements that are now required to be issued no later than five months after the end of the tax year.

**Supply of member information**

25. The information requested by STC is required to carry out the joint duties and responsibilities of the employers and the Fund.
26. The employer is responsible for the accurate and timely provision of information to STC and the Fund, including
- notification to STC that an employee has joined the Fund by providing the appropriate new starter information within 42 calendar days of the employee joining
  - where a member's personal details change or there is a break in the member's pensionable service, by providing an appropriate notification to STC within 42 calendar days of the change
  - where a member leaves with an entitlement to an immediate pension, by providing an appropriate termination notification to STC, supporting documents and certificates within 20 calendar days of the member's last day of service
  - where a member leaves before being entitled to an immediate pension, by providing an appropriate termination notification to STC, supporting documents and certificates within 35 calendar days of the member's last day of service
  - where a member dies in service, by providing an appropriate termination notification to STC, documents and certificates within 20 calendar days of the death
  - any revised termination details should be provided to STC within 20 calendar days of the event which requires the revision. For example, if arrears of pay mean that the final pay must be revised, the revised figure must be notified within 20 calendar days of the arrears being paid.
27. The timescales are based on statutory requirements. Failure to meet them can result in the Pensions Ombudsman and/or Pensions Regulator issuing fines and imposing other maladministration penalties including naming and shaming. Delays can also result in HMRC imposing penalties, including Scheme Sanction Charges. In circumstances where the performance of the employer results in fines being levied on the Fund and/or STC by the Pensions Regulator, Pensions Ombudsman or other regulatory body, an

amount up to the amount of that fine will be recharged to that employer. In addition, there will be an additional charge equal to any associated legal, actuarial and administrative costs the Fund and/or STC has incurred as a result of the employer's action or failure.

28. Detailed guidance on the notifications and supporting documents required is set out in the Employers' Guide. STC is in the process of moving to receive all notifications from employers electronically, either via web forms or via the submission of electronic data files. Employers will be informed for each type of notification which medium they will be required to use.
29. STC and the Fund are not responsible for verifying the accuracy of information provided by an employer. The responsibility for accuracy rests with the employer, so all information must be checked before it is sent to STC and the Fund.
30. STC and the Fund will query any apparent discrepancies that are detected.
31. Any overpayment resulting from inaccurate information supplied by an employer will be met by the employer where it is not recovered from the member.

### **Funding early retirements**

32. An employer is responsible for complying with the requirements for funding early retirement benefits.
33. The employer must reimburse the Fund for any amounts paid out that are not fully funded following the award of additional service or pension under:
  - the Discretionary Payments Regulations 2000 or preceding regulations
  - Regulation 31 of the Local Government Pension Scheme Regulations 2013.
34. The Fund will not pay those benefits to the member concerned unless these requirements are met.

### **Setting up new pension arrangements**

35. It can take several months to set up LGPS pension arrangements when an employer outsources a service or sets up a subsidiary company under its control, or a school becomes an academy. Serious problems can occur if these matters are not dealt with properly and in a timely manner.
  
36. It is vital that employers who are contemplating an outsourcing contract or setting up a subsidiary company, or local authorities who have schools changing to academy status, contact the Principal Accountant of the Fund at the earliest opportunity (contact details are at the end of this document).

**National insurance**

37. An employer is responsible for deducting and paying National Insurance contributions for LGPS members.



### **Employer discretions**

38. **Appendix C** lists the discretions provided to employers under the LGPS regulations.
39. An employer must publish a policy statement for its functions under Regulations 16, 30 and 31 of the Local Government Pension Scheme Regulations 2013 and of Schedule 2 of the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and provide a copy to STC.
40. Employers are encouraged to publish policies for all the discretions listed and provide a copy to STC.
41. On occasions, employers may need to exercise a policy for a member who left under earlier regulations when different provisions applied. In these cases, the employers may wish to consult their client manager.

### **Annual employer survey**

42. In order that the Fund is aware of any changes that might have a material effect on an employer's participation in the Fund, or impact on the Fund's assessment of that employer's strength of covenant, the Fund requires each employer to complete an annual questionnaire.
43. It is extremely important that employers provide the requested information, as a failure to recognise and respond promptly to a material change may prove difficult and/or extremely costly for the employer to correct as and when the situation is eventually discovered.

### **Unsatisfactory performance by an employer**

44. If an employer is not fully complying with its duties and responsibilities, the client manager will work with the employer to address the issues.
45. Serious and persistent problems may be brought to the attention of the NCC Pension Fund Panel.
46. In the interest of fairness to other employers, where:
  - ongoing non-compliance leads to additional costs or fines

- where year-end information supplied is incorrect, deficient or not supplied within the required timescales and, as a result, member accruals for the year have to be recalculated resulting in additional costs
- failure or delay in supplying required information by an employer results in HMRC requiring STC or the Fund to pay a Scheme Sanction Charge,

the Fund may issue a written notice in accordance with Regulation 70 of the Local Government Pension Scheme Regulations 2013 to the employer at fault requiring them to meet those costs, fines or charges.

### **Duties of the Fund**

47. **Appendix D** lists the Fund's main duties. Those duties that have a significant impact on administration are discussed below.

48. The Fund's main responsibilities are

- designing and implementing systems and procedures
- maintaining members' records
- calculating and paying benefits
- delivering training, consultation and communication strategies
- managing the admission and exit of employers to and from the Fund
- managing the actuarial valuation process to ensure that all employers pay an appropriate contribution.

### **Regulatory authorities**

49. The Fund must comply with any orders or instructions issued by the Pensions Regulator or the Pensions Ombudsman.

### **Communication with members**

50. The Fund has developed a Communications Strategy Statement, which is available on the website at  
<http://www.northumberland.gov.uk/NorthumberlandCountyCouncil/media/About-the-Council/communication-policy-doc.pdf>
51. STC maintains a members' helpline 0191 424 4141 and provides annual benefits statements and a range of other explanatory material at  
<http://www.twpf.info/article/11840/Publications>

### **Calculations**

52. Where an employer cannot carry out its own "what if" calculations using the on line facility provided, STC will carry out the calculations. Providing all required information is available, STC will provide up to ten estimates of benefits within twenty-one working days. Where more than ten estimates are required, an employer must contact the client manager to discuss the timescale.

### **Payment of annual compensation**

53. Where an employer has chosen to award additional service under the Discretionary Compensation Regulations, it is the responsibility of the employer to calculate and pay the annual compensation that arises. However, STC can pay the annual compensation on an employer's behalf and recharge the employer. Where STC is not reimbursed within the agreed timescale, the payment of annual compensation will cease until the matter is resolved.

### **Appointment of advisers**

54. The Fund must appoint an actuary for the purposes of the triennial valuation of the Fund, to manage the valuation process and to provide actuarial advice.
55. The Fund must make appointments for carrying out the Internal Dispute Resolution Procedure.

### **Management of cash flow and Fund investment**

56. The Fund must ensure that cash is available to meet liabilities as and when they fall due, and invest surplus monies.
57. The Fund must prepare and maintain an Investment Strategy Statement and monitor all aspects of the Fund's performance.

### **Fund discretions**

58. The LGPS regulations provide the Fund with a number of discretions.
59. The Fund reviews its policies at least annually and publishes these on the website at [www.northumberland](http://www.northumberland) and [www.twpf](http://www.twpf) [**links to be added when Fund policies completed**].

### **Unsatisfactory performance by the Fund or STC**

60. If an employer is experiencing problems with the service delivery of STC, this should be raised initially with the client manager.
61. If the problems persist, the matter may be escalated to the Principal Pensions Manager and the Head of Pensions at STC, then the Fund's Principal Accountant.

62. Serious and persistent problems may be brought to the attention of the Pension Fund Panel.

## **The Regulations**

### **The LGPS Regulations**

The rules of the Local Government Pension Scheme are set out in three sets of Regulations.

The Local Government Pension Scheme Regulations 2013, as amended (referred to as “the 2013 Regulations”), describe how rights accrue and how benefits are calculated with effect from 1<sup>st</sup> April 2014 and set out the Scheme’s administrative provisions.

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (referred to as “the Transitional Provisions Regulations”) set out how membership accrued prior to 1<sup>st</sup> April 2014 counts.

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 set out the powers for administering authorities to invest fund money in a wide variety of investments.

### **Other related legislation**

This Strategy also refers to related legislation, specifically

- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (referred to as “the Discretionary Compensation Regulations 2000”) as amended
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (referred to as “the Discretionary Compensation Regulations 2006”) as amended
- The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013
- Local Government Pension Scheme (Administration) Regulations 2008 (referred to as “the Administration Regulations”) as amended.



## **The duties of the employer**

A summary of the main duties of an employer under the Regulations is set out below. In the event of doubt, those Regulations must be consulted for clarification.

- a) The employer must obtain the STC's approval to its choice of medical practitioner for the purpose of decisions relating to ill-health benefits, and must have regard to the Secretary of State's guidance when making any relevant determination (Regulation 36 of the 2013 Regulations).
- b) The employer must determine, based on a certificate obtained from an independent registered medical practitioner qualified in occupational health medicine, whether a member satisfies the conditions in Regulation 35 or Regulation 38 as the case may be, of the 2013 Regulations. Where this is the case, the employer must agree to the payment of ill-health benefits to the qualifying member (Regulation 36 of the 2013 Regulations).
- c) The employer must carry out the review provisions for third-tier ill-health benefits set out in Regulation 37 of the 2013 Regulations (Regulation 37 of the 2013 Regulations).
- d) The employer must prepare, publish and supply STC with a copy of a written statement of its policy in relation to the exercise of its functions under Regulations 16, 30 and 31 of the 2013 Regulations and Schedule 2 of the Transitional Provisions Regulations. In practice employers will also need to prepare, publish and supply STC with a copy of a written statement of its policy in relation to the exercise of its functions under Regulations 12, 13, 18, 30 and 30A of the preceding Local Government Pension Scheme (Benefits Membership and Contributions) Regulations 2007. The employer must keep the statement under review and make such revisions as are appropriate following any change in policy (Regulation 60 of the 2013 Regulations).
- e) The employer must contribute to the Scheme funds the sums set out in the relevant rates and adjustments certificate (Regulation 67 of the 2013 Regulations).
- f) The employer must pay the sum required to fund the additional costs of benefits arising from (i) the exercise of its powers to award an additional pension pursuant to Regulations 31 of the 2013 Regulations; (ii) an increase in ill-health benefits under Regulation 35 of the 2013 Regulations; (iii) the early payment of ill-health benefits under Regulation 38 of the 2013 Regulations; and (iv) the payment of flexible retirement benefits or redundancy benefits under Regulation 30 of the 2013 Regulations (Regulation 68 of the 2013 Regulations).





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- g) The employer must pay to the Fund the sums due in respect of the Scheme on or before the dates determined by the Fund or otherwise prescribed by Regulation 69 of the 2013 Regulations (Regulation 69 of the 2013 Regulations).
- h) The employer must decide all questions relating to a member or prospective member that are not required to be determined by the Fund (Regulation 72 of the 2013 Regulations).
- i) The employer must, when notifying a member of a decision, advise them where further information may be obtained, of their right of appeal and of the time limits that apply for appeal (Regulation 73 of the 2013 Regulations).
- j) The employer must inform STC and the Fund of all its decisions made in relation to the Scheme and give to STC and the Fund all the information it requires for discharging its functions (Regulation 80 of the 2013 Regulations and Regulation 22 of the Transitional Provisions Regulations).
- k) The employer must deduct from a person's pay any contributions payable by that member (Regulation 85 of the 2013 Regulations).
- l) The employer must ask all persons, within three months of becoming LGPS members, for a written list of all their previous periods of employment and copies of all notifications given to them under the Administration Regulations and its predecessors (Regulation 90 of the 2013 Regulations).
- m) The employer must formulate, publish and keep under review its policy regarding the exercise of its powers to award discretionary compensation under Regulations 5 and 6 of the Discretionary Compensation Regulations 2006 (Regulation 7 of the Discretionary Compensation Regulations 2006).

## **Employer discretions**

The discretions afforded to an employer by the Regulations are set out below. An employer must publish a policy statement in respect of exercise of its functions under Regulations 16, 30 and 31 of the Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”), Schedule 2 of the Transitional Provisions Regulations 2014 (“the TP Regulations”), and Regulations 12, 13, 18, 30 and 30A of the Local Government Pension Scheme (Benefits Membership and Contributions) Regulations 2007 (“the Benefits Regulations”). Employers are encouraged to consider and decide upon policies in respect of all of the discretions listed.

The Fund and STC will not give members any expectation as to how an employer will exercise any discretion.

1. An employer who is an Admission or Schedule 2 Part 2 (previously known as Resolution) body may determine that only specified employees, or classes of employee, should be eligible for membership of the Scheme (Regulations 3 and Schedule 2 Part 2 of the 2013 Regulations, and Regulations 4, 7 and 8 of the Local Government Pension Scheme (Administration) Regulations 2008 (“the Administration Regulations”).
2. The employer may extend the period allowed to a member to opt to aggregate a period of former membership with his/her current membership beyond the 12 months beginning with the date upon which he/she again became an active member (Regulation 22 of the 2013 Regulations and Regulation 16 of the Administration Regulations).
3. The employer may extend the 12 month option period allowed to a member to opt to aggregate a period of former membership in respect of which the member has been awarded deferred benefits with a concurrent period of membership (Regulation 22 of the 2013 Regulations).
4. The employer has the power to accept late applications (made more than 30 days after return to work) from a member who wishes to pay optional contributions for a period of absence (Regulation 22 of the Administration Regulations).
5. The employer may direct the payment out of the Fund a sum equal to all contributions made by a person who is excluded from a return of such contributions because of his dismissal from employment due to fraud or grave misconduct (Regulation 19 of the 2013 Regulations and Regulation 47 of the Administration Regulations).
6. The employer may recover from the Fund any contribution equivalent premiums paid by the employer (Regulation 49 of the Administration Regulations).

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7. The employer may apply to the Secretary of State for the partial or complete forfeiture of a member's pension rights where he has been convicted of certain offences (Regulations 91 and 95 of the 2013 Regulations and 72 of the Administration Regulations).
8. The employer may direct the Fund that interim payments be made to an employer to whom a forfeiture certificate has been issued by the Secretary of State (Regulation 91 of the 2013 Regulations and Regulation 73 of the Administration Regulations).
9. The employer may recover from the Fund a sum representing a member's obligation to the employer arising out of misconduct which caused his dismissal from employment, provided certain prescribed procedures are followed (Regulation 93 of the 2013 Regulations and Regulation 74 of the Administration Regulations).
10. The employer may approve a bulk transfer of liabilities to a new LGPS fund, but only if the Fund also agrees, and the employer must pay the costs of calculating the transfer (Regulation 98 of the 2013 Regulations and Regulations 81 and 82 of the Administration Regulations).
11. Subject to the Fund also agreeing, the employer may allow, where a request for the inwards transfer of pension rights is made more than 12 months after the member joined the LGPS, that the transfer be accepted (Regulation 100 of the 2013 Regulations and Regulation 84 of the Administration Regulations).
12. The employer may, where there has been a material change to a member's pensionable pay in the course of a financial year, redetermine the contribution rate to be applied in the member's case. In such a case the employer shall inform the member of the new contribution rate applicable to him/her, and the date from which it is to be applied. (Regulation 9 of the 2013 Regulations and Regulation 3 of the Benefits Regulations).
13. The employer may consent to a member's final pensionable pay being calculated by reference to fees earned over a period of three consecutive years within the final ten years of his membership of the LGPS (Regulations 3,4,8,10 and 17 of the TP Regulations and Regulation 11 of the Benefits Regulations).
14. Up to and including 31<sup>st</sup> March 2014, the employer may decide to increase the total membership of an active member, not to exceed 10 years (Regulation 12 of the Benefits Regulations).
15. The employer may award a member ceasing by reason of redundancy or business efficiency an additional pension of not more than £5,000 per annum (up to 31<sup>st</sup> March 2014) or £6,500 (from 1<sup>st</sup> April 2014) payable at the same time as his other benefits (Regulation 31 of the 2013 Regulations and 13 of the Benefits Regulations).

16. The employer may resolve to establish, maintain and contribute to a shared cost additional voluntary contribution scheme (Regulation 17 of the 2013 Scheme, Regulation 15 of the TP Regulations, Regulation 15 of the Benefits Regulations and Regulation 25 of the Administration Regulations).
17. The employer may grant a request for a member who has attained the age of 55 to receive flexible retirement benefits while in employment, and may waive any actuarial reduction which would otherwise apply to those benefits due to their early payment (Regulation 30 of the 2013 Regulations and Regulation 18 of the Benefits Regulations).
18. For leavers on or before 31<sup>st</sup> March 2014 only, the Employer may consent to the early payment of pension to a member who has left service between 55 and 60 (Regulation 30 of the Benefits Regulations).
19. The employer may waive, in whole or in part, the actuarial reduction otherwise applicable where a member voluntarily draws benefits before normal pension age (Regulation 30 of the 2013 Regulations and Regulation 30 of the Benefits Regulations).
20. The employer shall decide whether a person in receipt of a tier three ill-health pension has started gainful employment. Where this is the case, the employer shall also decide whether to recover any tier three ill-health pension paid since the member started gainful employment (Regulation 37 of the 2013 Regulations).
21. The employer shall decide whether a deferred beneficiary or a suspended tier three ill-health member meets the criteria of being permanently incapable of his/her former job because of ill-health and is unlikely to be capable of undertaking employment before normal pension age or for at least three years, whichever is the sooner (Regulation 38 of the 2013 Regulations).
22. For leavers on or before 31<sup>st</sup> March 2014 only, the employer may consent to the early payment of pension to a member who has
  - left service under tier three of the ill-health retirement provisions, and
  - subsequently had his/her pension suspended under the provisions of Regulation 20 (9), and
  - has attained the age of 55 and is requesting payment of this/her pension (Regulation 30A of the Benefits Regulations).
23. The employer may decide whether, in what circumstances, and how much it will contribute to a Shared Cost Additional Pension Contributions arrangement (Regulation 16 of the 2013 Regulations).
24. The employer may specify in an employer's contract of employment that a benefit that is not already specified as being included in the definition of pensionable pay,

and is not specifically disallowed within the definition of pensionable pay, should be included within pensionable pay (Regulation 20 of the 2013 Regulations).

25. The employer shall determine whether a lump sum payment made to a member in the previous twelve months is a “regular lump sum” and so be included within Assumed Pensionable Pay (Regulation 21 of the 2013 Regulations).
26. The employer may decide to allow a certificate produced by an Independent Registered Medical Practitioner under the 2008 Scheme for the purposes of making an ill-health determination under the 2014 Scheme (Regulation 12 of the TP Regulations).
27. The employer may allow a ‘late application’ (i.e. an application dated more than 30 days after the member has ceased to be an active member) by a member who has an LGPS AVC arrangement entered into before 13<sup>th</sup> November 2011 to convert those AVCs into a membership credit (Regulation 15 of the TP Regulations).
28. The employer may consent to activate the 85 year rule for a member voluntarily drawing benefits on or after age 55 and before age 60 (Schedule 2 of the TP Regulations).
29. The employer may consent to waive the actuarial reduction applied to benefits from pre 1<sup>st</sup> April 2014 membership where the 85 year rule has been activated for a member voluntarily drawing benefits on or after age 55 and before age 60 (Schedule 2 of the TP Regulations).
30. The employer may increase a member’s statutory redundancy payments, to the extent set out in Regulation 5(2) of the Discretionary Compensation Regulations 2006 (Regulation 5 of the Discretionary Compensation Regulations 2006).
31. The employer may decide to make a lump sum compensation payment to a person whose employment is terminated, to the extent set out in Regulation 6(3) of the Discretionary Compensation Regulations 2006 (Regulation 6 of the Discretionary Compensation Regulations 2006).

*The following discretions only apply where an employer has awarded added years under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 or preceding regulations.*

32. Where additional service has been awarded to a retired member and the recipient subsequently enters a new employment where they have joined (or may join) the Scheme, the employer must reduce the annual compensation by such amount as it considers appropriate (Regulation 17 of the Discretionary Compensation Regulations 2000).

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33. When the recipient subsequently ceases the new employment, the employer must reduce the annual compensation by such amount as it considers appropriate (Regulation 19 of the Discretionary Compensation Regulations 2000).
34. When the recipient of the award dies the employer must decide how the compensation is apportioned if there is a joint entitlement to surviving spouse's short and long term annual compensation (Regulation 21 of the Discretionary Compensation Regulations 2000).
35. If, at the time of his/her death, the recipient was in a new pensionable employment, the employer must decide the extent to which any reduction will apply in calculating any short and long term annual compensation (Regulation 22 of the Discretionary Compensation Regulations 2000).
36. The employer may direct that surviving spouse's additional compensation shall not cease on remarriage or cohabitation where award was made prior to 1<sup>st</sup> April 1998. Also, where in the past and under old regulations payment of a spouse's additional pension has ceased due to remarriage or cohabitation, the employer must decide if it is to be reinstated on cessation of that remarriage or cohabitation (Regulation 21 of Discretionary Compensation Regulations 2000).
37. Where children's pensions are not payable under the Scheme the employer shall determine how, and in what portions, any children's annual compensation shall be paid (Regulation 25 of Discretionary Compensation Regulations 2000).





## **The duties of the Fund**

A summary of the main duties of the Fund under the Regulations and overriding legislation is set out below.

***Please note that Appendix D refers to the duties of the Fund, most of which are discharged by STC, under the shared administration agreement.***

In the event of doubt, the legislation must be consulted for clarification.

- a) The Fund must establish an arrangement or arrangements which will allow an active member to pay additional voluntary contributions or to contribute to a shared cost additional contribution arrangement (Regulation 17 of the 2013 Regulations).
- b) In cases where the member has no current employing authority and the member's former employing authority has ceased to be a Scheme employer, the Fund must determine, based on a certificate obtained from an independent registered medical practitioner qualified in occupational health medicine, whether a member satisfies the conditions in Regulation 38 of the 2013 Regulations. Where this is the case the Fund must agree the payment of ill-health benefits to the qualifying member (Regulation 38 of the 2013 Regulations).
- c) If an active member's, deferred member's, pension credit member's, deferred pensioner member's or pensioner member's death benefit has not been paid in full within two years' of the member's death, the Fund must pay the shortfall to the member's personal representatives (Regulations 40, 43 and 46 of the 2013 Regulations).
- d) The Fund must keep under review the governance compliance statement published under Regulation 55 of the 2013 Regulations (Regulation 55 of the 2013 Regulations).
- e) The Fund must obtain and send to the employers the accounts and auditor's report (if any) of its pension fund (Regulation 56 of the 2013 Regulations).
- f) The Fund must each year prepare and publish a pension fund annual report (Regulation 57 of the 2013 Regulations).
- g) The Fund must keep under review the funding strategy statement published under Regulation 58 of the 2013 Regulations (Regulation 58 of the 2013 Regulations).

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- h) Where the Fund has prepared a pensions administration strategy, it must send a copy to the employers, have regard to it when carrying out its Scheme functions, and keep it under review (Regulation 59 of the 2013 Regulations).
- i) The Fund must prepare maintain and publish a written statement of its policy in relation to the exercise of its functions under Regulation 30 (waiving of actuarial reductions) in cases where a former employer has ceased to be a Scheme employer (Regulation 60 of the 2013 Regulations).
- j) The Fund must prepare, maintain and publish a written statement setting out its policy concerning communications with members, representatives of members, prospective members and employers (Regulation 61 of the 2013 Regulations).
- k) Every three years the Fund must obtain a valuation report and rate and adjustments certificate prepared by an actuary and must send a copy of the valuation report to the employers (Regulations 62 and 66 of the 2013 Regulations).
- l) In addition, the Fund must obtain revised rates and adjustment certificates in the circumstances set out in Regulation 64 of the 2013 Regulations and must send copies of the revised certificate(s) to the relevant employer(s) (Regulation 64 and 66 of the 2013 Regulations).
- m) The Fund must set the dates on which the employer must pay contributions to the Fund and shall determine the form and intervals when the employers shall supply them with information concerning contributions payments (Regulation 69 of the 2013 Regulations).
- n) The Fund must decide all questions concerning a person's previous service or employment, or additional pension or credit as soon as is reasonably practicable after the person becomes a member (Regulation 72 of the 2013 Regulations).
- o) The Fund must decide the amount of benefit or return of contributions payable to a member from the Scheme as soon as is reasonably practicable after that entitlement arises or may arise (Regulation 72 of the 2013 Regulations).
- p) The Fund must give to the employer information as to any decision it has made relating to a member and which the employer requires to discharge its Scheme functions (Regulation 80 of the 2013 Regulations).
- q) The Fund must pay interest on any overdue benefits payable under the 2013 Regulations (Regulation 81 of the 2013 Regulations).
- r) Where a member has given notice of joint and several liability in respect of that member's annual allowance charge, the Fund must reduce the value of the member's rights in accordance with actuarial guidance issued by the Secretary of State (Regulation 86 of the 2013 Regulations).

**APPENDIX 1**  
**(continued)**

- s) The Fund must deduct from any benefit payment any tax chargeable under the Finance Act 2004 (Regulation 87 of the 2013 Regulations).
- t) The Fund must pay pension increases due under the Pensions Schemes Act 1993 in respect of Guaranteed Minimum Pensions (Regulation 88 of the 2013 Regulations).
- u) The Fund must issue an annual benefit statement to each of the active, deferred, deferred pensioner and pension credit members (Regulation 89 of the 2013 Regulations).
- v) The Fund must make a transfer payment in respect of a member wishing to transfer his or her benefits from the Scheme, in prescribed circumstances (Regulations 96 and 98 of the 2013 Regulations).
- w) The Fund must deduct from any transfer payment made in respect of a person, amounts relating to the person's contracted-out rights (Regulation 97 of the 2013 Regulations).
- x) Where a member becomes a member of a different local government pension fund, as described in Regulation 103 of the 2013 Regulations, the Fund must make an appropriate payment to the member's new fund (Regulation 103 of the 2013 Regulations).
- y) The Fund must treat an active member of the Scheme who was a member prior to 1 April 2014 as being subject to the provisions of the 2013 Regulations and in accordance with the terms of the Transitional Provisions Regulations (Regulation 3 of the Transitional Provisions Regulations).
- z) The Fund must formulate and keep under review its policy concerning abatement where the member has entered a new employment with a Scheme employer, other than where the member is eligible to belong to a teacher's scheme, and must apply that policy when determining whether to abate a pension in such circumstances (Regulation 3 of the Transitional Provisions Regulations).
- aa) The Fund must ensure compliance with Data Protection legislation.



## **Purpose, objectives and key risks**

### **Purpose and objectives**

The Fund has a number of specific objectives in relation to administration, as follows

- Treat all stakeholders fairly and with dignity and sensitivity
- Provide a high standard of service, which is valued by customers, easy to access, timely and of high quality, with errors being extremely rare
- Provide services from a team which has a good understanding and knowledge of pension matters, a willing and helpful attitude, and which comprises individuals who are accessible
- Ensure the Fund's employers are aware of and understand their roles and responsibilities and are provided with information that is relevant, timely and easy to understand
- Administer the Fund in a cost effective and efficient manner to obtain value for money
- Maintain accurate records and ensure data is protected and has authorised use only.

### **Key risks**

The Head of Pensions at STC and other officers at STC and the Fund will work with the Pension Fund Panel and LGPS Local Pension Board in monitoring the key risks to the delivery of this Strategy and consider how to respond to them. Examples of these are outlined below

- Lack or reduction of skilled resources due to difficulty retaining and recruiting staff members and also staff absence due to sickness
- Significant increase in the number of employers causes strain on day to day delivery
- Incorrect calculation of members' benefits resulting in inaccurate costs (to employer), through for example, inadequate testing of systems
- Failure of employers to provide accurate and timely information resulting in incomplete and inaccurate records, which could lead to incorrect valuation results and incorrect benefits, which in turn could lead to complaints
- Failure to administer the Scheme in line with regulations and policies
- Failure to maintain proper records leading to inadequate data, which could lead to increased complaints and errors
- Inability to deliver a service to pension members due to system unavailability or failure
- Failure to maintain employer database leading to misdirection of information
- Lack of clear communication to employers



## **Contacts**

### **STC contacts**

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## **Approval, review and consultation**

This Administration Strategy was approved at the Pension Fund Panel meeting on 3 November 2017 subject to employer consultation. It is effective from 29 January 2018.

It will be formally reviewed and updated at least every three years or sooner if the administration management arrangements or other matters included within it merit reconsideration, including if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.