

Pension Administration Strategy



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1. Introduction

1.1 Pension Administration Strategy

The North East Scotland Pension Fund (NESPF) and the Aberdeen City Council Transport Fund (ACCTF) are administered by Aberdeen City Council (the Fund) within Local Government Pension Scheme (LGPS) regulations. The Fund is committed to providing a high quality pension administration service to both scheme members and employers. This document is the Pension Administration Strategy¹ (PAS) which details responsibilities, service standards, levels of performance and policies required to deliver statutory requirements for the LGPS and comply with requirements of The Pensions Regulator (TPR)².

1.2 Pensions Committee

Aberdeen City Council as an administering authority delegates this responsibility to the Pensions Committee which is comprised of elected members of Aberdeen City Council. The Pensions Committee carries out a role that is similar to that of trustees of a pension scheme and is the key decision maker for all matters under the regulations including benefit administration, governance and investment management. The Council and the Pensions Committee recognise that they have fiduciary duties and responsibilities towards pension scheme members, participating employers and local taxpayers.

The Pensions Committee takes a keen interest in administration matters and receives reports on Fund and employer performance at its quarterly meetings. It is also responsible for approving any policy documentation including any revision to this document following a consultation period with employers. The commencement date for the revised PAS will be 1 April 2017.

¹ Regulation 57 - The Local Government Pension Scheme (Scotland) Regulations 2014

² The Pension Regulator Code 14 – Governance and administration of public sector pension schemes

1.3 New Scheme

This is the first revision of the PAS since its introduction in 2013 and is as a result of changes introduced by government for public sector pension schemes. The primary legislation for delivering change was the Public Services Pensions Act 2013 with the following regulations coming into force on 1 April 2015:

- The Local Government Pension Scheme (Scotland) Regulations 2014
- The Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014
- The Local Government Pension Scheme (Governance) (Scotland) Regulations 2015.

The new regulations saw the scheme change from Final Salary to Career Average Revalued Earnings (CARE) which required significant changes to be made by employers to amend their systems and processes to deliver new scheme requirements which included:

- Cumulative Pensionable Pay for Main and 50/50 schemes (CARE pay)
- Assumed Pensionable Pay and Additional Pension Contributions
- Underpin protection for certain categories of members.

1.4 Pensions Board

In line with the new scheme regulations the Fund established a Pension Board which is responsible for assisting the Scheme Manager in relation to compliance with scheme regulations and the requirements of TPR. Pensions Board membership consists of equal numbers of trade union representatives and employer representatives drawn from Councils and scheduled or admitted bodies. The Board sits at the same time as the Pensions Committee and receives the Committee reports for each meeting. In assisting with compliance the Board can report the Fund for non-compliance with regulations or TPR code of practice.

2. Liaison and Communication

2.1 Pension Fund

The Fund underwent a restructure to deliver the requirements of the new scheme which included creating a dedicated team to assist and advise participating employers. The Employer Relationship Team (ERT) is responsible for:

- Events for administration and financial management (forums etc.)
- Collection and reconciliation of monthly electronic data provision
- Electronic communications (quarterly briefings/technical bulletins etc.)
- Employer Covenant
- Employer training
- Consultations in respect of actuarial matters and policy changes
- Securing compliance with Regulations (discretions etc.)
- Address unsatisfactory levels of performance.

The ERT can be contacted by phone 01224 264157 or by email employer@nespf.org.uk.

Other teams within the Fund involved with delivering requirements of the PAS are the Governance Team who design scheme documentation, maintain the Fund website www.nespf.org.uk and record and report breaches of law to The Pensions Regulator. The Accounting Team is responsible for all financial transactions in and out of the Fund, including contributions received, and prepares the Annual Report and Accounts. The Benefit Administration Team is responsible for calculating and paying member benefits and assists the ERT at administration events.

2.2 Employers

Each scheme employer will designate a named individual to act as a Pensions Liaison Officer, the main contact with regard to any aspect of administering the LGPS. The designated individual should have a level of authority within their organisation to resolve issues with administration or in respect of the requirements of the strategy once it has been agreed.

3. Pension Fund Responsibilities and Service Standards

3.1 Responsibilities

- 3.1.1 To maintain the North East Scotland Pension Fund and the Aberdeen City Council Transport Fund.
- 3.1.2 To invest pension contributions received and account for and manage the Fund's assets.
- 3.1.3 To create and maintain a record for each member that contains all the necessary information for accurate calculation of member benefits.
- 3.1.4 To calculate and pay the appropriate benefits, based on the members record and the termination and pay details provided by the Employer when an employee ceases employment.
- 3.1.5 To calculate and process transferred in benefits and transfer value payments.
- 3.1.6 To provide a statutory notice on commencement of membership or following a transfer in.
- 3.1.7 To provide survivor beneficiaries with notification of entitlement.
- 3.1.8 To provide annual pension forecasts for members.
- 3.1.9 To provide pension saving statements for members.
- 3.1.10 To ensure that every effort is made to pay benefits to appropriate beneficiaries and reduce the possibility of fraud.
- 3.1.11 To apply revaluation to pension accounts in accordance with Revaluation Orders.
- 3.1.12 To apply pensions increases in accordance with Pension Increase Orders.
- 3.1.13 To publish Annual Report and Accounts in accordance with regulations.
- 3.1.14 To continually review the PAS and consult with Scheme employers on changes.
- 3.1.15 To publish and review policy statements in accordance with regulations – see Appendix 2
- 3.1.16 To appoint an actuary to carry out triennial valuations and provide actuarial advice – see Appendix 1
- 3.1.17 To provide accurate data to the Fund actuary in respect of valuation and employer accounting standards.
- 3.1.18 To appoint a suitable person for the purposes of the Internal Dispute Resolution Procedure.
- 3.1.19 To appoint an Additional Voluntary Contributions provider.
- 3.1.20 To ensure that sufficient information³ is available to satisfy disclosure requirements.

³ Newsletters, guides and other materials

- 3.1.21 To admit new participating employers and provide information for tender including notification of admission to the SPPA.
- 3.1.22 To request termination assessment from Fund actuary on cessation of admission agreements or when a scheme employer ceases participation in the Fund.
- 3.1.23 To recover termination cost from the exiting employer.
- 3.1.24 To arrange events, meetings and training sessions for scheme employers.
- 3.1.25 To ensure compliance with Data Protection legislation.

3.2 Service Standards

Description	Requirement/Target
To acknowledge or answer enquiries	Within 5 working days
To answer telephone calls within office hours	95%
To provide scheme information to members	Within 2 months of membership beginning*
To acknowledge deferred benefit entitlement	Within 2 months of receiving leaver notification*
To provide transfer credit notification	Within 2 months of request
To provide transfer value payment	Within 3 months of request
To provide divorce notification	Within 3 months of request
To provide death acknowledgement letter	Within 5 working days of notification of death
To provide retirement estimates	Within 10 working days of receipt of all information
To provide retirement benefit notification	Within 10 working days of receipt of all information
To provide deferred benefit notification	Within 10 working days of receipt of all information
To process refund of contributions	Within 10 working days of receipt of all information
To provide transfer in notification	Within 10 working days of receipt of all information
To provide transfer out notification	Within 10 working days of receipt of all information
To provide benefit statements to active and deferred members	By 31 August*
To provide pension saving statements	By 6 October*
To carry out a record keeping exercise to comply with TPR requirements	At least annually
To publish forms required for completion by scheme members, potential members or scheme employers	Within 30 days from any revision

To issue formal valuation results including individual employer details	By 31 January following the 31 March valuation period end date
To prepare new admission agreements	Within 3 months of receipt of all appropriate employer information
To provide employer briefings	Quarterly
To provide technical bulletins	As and when required
To provide notice to scheme employer of any additional costs (including any interest that may be due) arising from performance	1 month
To notify scheme members and employers of changes to the scheme rules	When possible in advance of change but no later than 1 month of change date
To host meetings for all scheme employers	Annually
To arrange training/bespoke meetings for employers	Upon request or as deemed necessary by the Fund

*Regulatory requirement

3.3 Benchmarking

The Fund will regularly monitor its costs and service performance by benchmarking with other administering authorities using benchmarking clubs and other available comparators. Details of cost of administration, quality measures and standards of performance will be published in the Annual Report and Accounts.

3.4 Customer Satisfaction

The Fund has established a program of surveys to collate information to identify areas of improvement with the results reported in the Annual Report and Accounts.

4. Employer Responsibilities and Service Standards

4.1 Responsibilities

- 4.1.1 To decide scheme eligibility of employees and admit members in accordance with contractual enrolment or admission policy.
- 4.1.2 To advise employees of entitlement to the LGPS and their rights under Auto Enrolment.
- 4.1.3 To determine a members pay for the purpose of pensions contributions.
- 4.1.4 To arrange for the correct deduction of employee contributions from a member's pensionable pay in accordance with statutory guidance.
- 4.1.5 To implement changes to employer contribution rates as instructed from date specified in actuarial advice.
- 4.1.6 To pay over and account for employee, employer and additional contributions to the Fund.
- 4.1.7 To arrange for the deduction of AVCs and payment of contributions to AVC provider(s).
- 4.1.8 To provide timely and accurate information including starters, amendments, leavers, contributions, salaries and CARE pay to the Fund using I-Connect to ensure member records are accurate and up to date.
- 4.1.9 To distribute any information provided by the Fund to scheme members and potential scheme members.
- 4.1.10 To pay "Strain on fund" costs to the Fund in full for early payment of benefits from flexible, redundancy or business efficiency retirement or where a member retires early with employer's consent.
- 4.1.11 To pay additional costs arising from level of performance⁴
- 4.1.12 To pay interest on late payments arising from overdue payments⁵
- 4.1.13 To formulate and publish discretions as required under regulations – see Appendix 2
- 4.1.14 To issue a certificate of protection automatically where a member has suffered a compulsory and permanent reduction in, or restriction to, their rate of contractual pensionable pay and keep a record of that members pay for a period of 10 years from the effective date of the certificate.*
- 4.1.15 To make decisions known as "First instance decisions" and inform employees of those decisions.*

⁴ [Regulation 68 – The Local Government Pension Scheme \(Scotland\) Regulations 2014](#)

⁵ [Regulation 69 - The Local Government Pension Scheme \(Scotland\) Regulations 2014](#)

- 4.1.16 To nominate an Appointed Person to uphold or dismiss any appeal against a “First instance decision”.
- 4.1.17 To appoint a Pension Liaison Officer and complete and return PLO statement – see Appendix 3
- 4.1.18 To use an Independent Medical Registered Practitioner qualified in Occupational Health medicine for the purpose of determining eligibility for Ill Health retirement.

*Guides for Certificates of Protection and Internal Dispute Resolution are available on the Fund website

4.2 Service Standards

Description	Requirement/Target
To respond to enquiries by the Fund	Within 5 working days
To notify the Fund of new starters	No later than month following date of entry to scheme ⁶
To notify the Fund of any change in employees circumstances (name, address, marital status and hours)	No later than month following date of change
To notify the Fund of leavers and provide form PEN 2A if appropriate	No later than month following date left scheme ⁷
To provide cumulative employee, employer and additional contributions	Monthly prior to 19th of following month
To provide FTE Final Pay calculated under 2009 Regulations for underpin protection	Monthly OR annually in March data submission
To provide cumulative CARE pay (or assumed pensionable pay)	Monthly
To notify breaks in service for underpin calculation using the method stipulated by the Fund	No later than month following start of break
To notify the Fund of retirements and provide form PEN 6	2 months in advance
To notify the Fund in advance when requesting retirement estimates for more than 20 members	3 months in advance
To notify the Fund of the death of a scheme member	As soon as is practicably possible
To provide information requested by the Fund in relation to the Employer	Within 10 days of request

⁶ Regulatory requirement for Fund to provide information to active member within 2 months of membership beginning

⁷ Regulatory requirement for Fund to provide information to deferred member within 2 months of receiving leaver notification

Covenant	
To refer new or prospective scheme members to the Fund's website	Within 10 days of commencement of employment
To arrange for the correct deduction of employee contributions from a member's pensionable pay	Immediately on joining scheme and following statutory guidance
To ensure correct employee contribution rate is applied	Immediately on joining the scheme, as a result of a material change to pay and annually as at 1 April
To remit employee, employer and additional contributions to the Fund	By 19th of month
To ensure correct deduction of pension contributions during any period of absence	Immediately following election of scheme member
To arrange for the deduction of AVCs and payment over of contributions to AVC provider(s)	Commence payment of AVC's following month of election
To notify the Fund if contracting out services which will involve a TUPE transfer of staff to another organisation	As soon as decision made and to allow the Fund to provide information for tender documentation
To work with the Fund to arrange for an admission agreement to be in place when contracting out a service and assist with ensuring compliance	Agreement to be in place no later than start date of contract
To notify the Fund if an employer changes their admission policy or there is a possibility of terminating participation in the Fund	As soon as possible following change of circumstance or in advance of any policy change
To appoint appropriate person to review "first instance decisions"	Within 1 month of becoming scheme employer or making new appointment if required
To pay Fund invoices	Within 28 days

4.3 Data Provision

I-Connect is a data exchange portal for employers to provide monthly data for automated processing on the pensions administration system. The system provides employers with a secure method of providing updates including starters, amendments, leavers, contributions, salaries and CARE pay.

From 1 April 2017 **all employers** will be required to provide monthly data using I-Connect⁸ by way of a monthly file extracted from the payroll system or by completing electronic forms for individual members. This will replace starter, leaver and amendment processing through Employer Services. There will be no cost for using the I-Connect portal as there is no requirement for employers to contract direct with the provider.

The quality of data received from employers is assessed and checked by the Employer Relationship Team. Red/Amber/Green flags will be used to assess the quality of the data and this information will be published quarterly for each employer.

Flag	Description
Green	Events processed on I-Connect and validated by ERT
Amber	Events processed on I-Connect however missing or incorrect data identified by ERT
Red	No updates processed on I-Connect

If an employer has a number of payroll services in respect of its employees, a consolidated submission using I-Connect is required. If the payroll is contracted out to a bureau or another third-party organisation, then it remains the responsibility of the Scheme employer to ensure a complete and accurate data submission is provided monthly to the Fund.

The significance of receiving monthly data⁹ during 2015/16 was acknowledged by the actuary during the interim valuation process and helped the Fund meet benefit statement deadlines. Monthly data greatly improves the accuracy of member records, removes requirement for an annual return, helps the Fund deliver statutory requirements and significantly reduces likelihood of having to report a breach of law to The Pensions Regulator.

⁸ If you currently provide monthly data by spreadsheet the ERT will contact you about using I-Connect

⁹ During 2015/16 more than 682,000 starters, amendments, leavers, contributions, salaries and CARE pay system updates were received via I-Connect

4.4 Forms

From 1 April 2017 all scheme employers will be providing electronic data however there is still a requirement for certain forms to be completed and provided to the Fund.

Form	Requirement
Abbreviated Cessation Notice (PEN 2A)	Required for all members with pre 1 April 2015 membership. Not required for members with post 1 April 2015 membership only however any members that have transferred pre 2015 service into their current employment will require a PEN 2A which will be requested by the Fund.
Certificate of Permanent Ill Health (PEN 3.1)	Notification for Ill Health retirement which should be completed by the employer and an independent registered medical practitioner.
Notice of Retirement (PEN 6)	This form should be completed in advance for Voluntary, Late, Flexible, Early with Employers Consent, Ill Health, Business Efficiency and Redundancy retirements. In the case of Ill Health this form should be submitted with a PEN 3.1.
Certificate of Protection	Employers should automatically issue a Certificate of Protection where a member has suffered a compulsory and permanent reduction in or restriction to, a member's rate of contractual pensionable pay. A copy of the certificate should be provided to the Fund.

4.5 Audit

The Fund is subject to annual audit of its processes and internal controls. Employers are expected to fully comply with any request for information from both internal and approved external auditors. Any subsequent recommendations will be considered and, where appropriate, implemented with Scheme employer cooperation.

4.6 Level of Performance

The Fund will seek, at the earliest opportunity, to work closely with employers in identifying areas of unsatisfactory levels of performance, and provide the necessary training and development for improvement.

In the event of continued unsatisfactory performance, and a lack of evidence of any measures being taken to achieve improvement, the Fund will seek to recover any additional costs arising¹⁰ from the employer. These may include fines imposed by the Courts or The Pensions Regulator, additional charges in respect of actuarial fees, third party charges and additional printing or distribution costs.

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

- Persistent failure to provide relevant information to the Fund, scheme member or other interested party in accordance with service standards and performance measures either as a result of timeliness, delivery or quality of information
- Failure to pass relevant information to the scheme member or potential member
- Failure to deduct, and pay the Fund, the correct employee and employer contributions within the stated timescales
- Instances where the performance of the employing authority results in fines being levied against the administering authority, and
- Additional costs incurred in providing expert third party advice in administering the scheme on behalf of the employer, including but not exclusive to actuarial services, occupational medical practitioner services and legal services.

Where the Fund determines cost recovery appropriate, written notice will be given to the scheme employer stating:

- The reasons, in the Funds opinion, why the employer's unsatisfactory performance resulted in the additional cost
- The amount of additional cost incurred
- The basis of how the additional cost was calculated, and
- The provision within the Pensions Administration Strategy relevant to the decision to give notice.

¹⁰ [Regulation 68 – The Local Government Pension Scheme \(Scotland\) Regulations 2014](#)

Any instances¹¹ of additional cost being recovered from employers will be reported to Pensions Committee and Board and published in the Annual Report and Accounts.

5. Performance Measurement and Reporting

Measuring performance is essential to evidence the efforts made by the Fund and employers to comply with statutory requirements and deliver a high quality pension administration service.

5.1 Pension Fund Performance Measurement

Performance measure	Shown as	Quarterly	Annually
Benefit statements issued to active members prior to 31 August	Percentage	No	Yes
Employer administration events	Number	No	Yes
Employer financial events	Number	No	Yes
Employer training events	Number	No	Yes
Employer briefings	Number	No	Yes
Employer bulletins	Number	No	Yes
Notification of death acknowledged within 5 working days	Percentage	Yes	Yes
Notification of retirement estimate issued within 10 working days	Percentage	Yes	Yes
Notification of retirement benefits issued within 10 working days	Percentage	Yes	Yes
Notification of deferred benefits issued within 10 working days	Percentage	Yes	Yes
Notification of refund issued within 10 working days	Percentage	Yes	Yes
Notification of transfer in value issued within 10 working days	Percentage	Yes	Yes
Notification of transfer out value issued within 10 working days	Percentage	Yes	Yes
Quality of data held on pensions administration system for TPR record keeping	RAG flags	No	Yes
Telephone calls answered within office hours against 95% target	Percentage	No	Yes

¹¹ During 2015/16 there were no instances of additional cost recovery

5.2 Employer Performance Measurement

Performance measure	Shown as	Quarterly	Annually
Contributions paid by 19 month	Percentage	No	Yes
Instances of additional administration charges for unsatisfactory level of performance	Number	No	Yes
New start notification no later than month following date of entry to scheme	Percentage	No	Yes
Notification of employer initiated retirements two months in advance	Percentage	No	Yes
Policy on discretions received	Percentage	Yes	Yes
Quality of data received via I-Connect displayed for individual employers	RAG flags	Yes	Yes
Quantity of data received via I-Connect for all employers	Number	Yes	Yes
Signed PLO statement received	Percentage	Yes	Yes

5.3 Performance Reporting

Quarterly reports are put before the Pensions Committee and Pensions Board and an annual report will be included in the audited Annual Report and Accounts, both are published on the Fund website.

Appendix 1 | Overriding Legislation and Valuation

Overriding Legislation

In performing the role of administering the LGPS, the Fund and Employers will comply with overriding legislation (examples below) and any future amendments:

- The Occupational Pension Schemes (Disclosure of Information) Regulations 1986
- The Pensions Act 1995
- The Data Protection Act 1998
- The Freedom of Information (Scotland) 2002
- The Finance Act 2004
- The Age Discrimination Act 2006
- The Pension Schemes Act 2015.

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various associated parties, not least of which the scheme member. The LGPS regulations also identify a number of requirements for the Fund and employers with performance standards which are detailed in the strategy. The strategy is designed to highlight the key areas for providing high quality administration but **does not cover all regulatory requirements**.

Triennial and Interim Valuations

The funds have to be re-valued every three years¹² by the Fund actuary to determine Scheme employer contribution rates. Interim valuations may happen within the triennial cycle, to review such events as, changes in market conditions, incidents of ill health and early retirements. For any valuation it is essential that data held on the pension administration system is accurate and up to date as inaccurate data could affect liability assessment and impact on published funding levels and employer contribution requirements.

¹² [Regulation 60 – Local Government Pension Scheme \(Scotland\) Regulations 2014](#)

Appendix 2 | Policy Statements & Employer Discretions

The following policy statements have been produced to deliver regulatory requirements and are available on the Fund website.

Communications Policy

This policy provides information on the frequency, format and method of communicating with scheme members, employers and other stakeholders.

Funding Strategy Statement (FSS)

This statement provides information on how employer pension liabilities are best met going forward. The FSS also contains policies on:

- Termination Funding for Employers (Appendix 3)
- Risk and Assessment of Employer Covenant (Appendix 4).

Governance Compliance Statement

This statement sets out the extent to which governance arrangements comply with best practice.

Employer Discretions

Employers are required under regulation¹³ to prepare a written statement of its policy of how it will exercise various discretions provided by the scheme. This statement must be kept under review and revised as necessary with a copy provided to the Fund following any revision – a Discretions Policy Guide is available from the Employer Relationship Team.

¹³ [Regulation 58 – the Local Government Pension Scheme \(Scotland\) Regulations 2014](#)

Appendix 3 | PLO Statement

On behalf of my organisation I confirm that I am the named individual who will be the Pension Liaison Officer.

I understand that we have various **statutory duties** in relation to the Local Government Pension Scheme (LGPS) and **obligations** under the Pension Administration Strategy (PAS).

I confirm that as a Scheme employer we will:

1. Action any requirements contained in briefings or bulletins and keep up to date with the Fund website www.nespf.org.uk
2. Deliver requirements in respect of deducting and paying over contributions to the Fund
3. Provide monthly electronic data to ensure Fund member records are accurate and up to date
4. Contact the Fund immediately if, for whatever reason, we are having difficulties delivering LGPS or PAS requirements.

EMPLOYER	
PRINT NAME	
JOB TITLE	
EMAIL ADDRESS	
SIGNATURE	
DATE	

Please complete and return the PLO statement to the Employer Relationship Team at employer@nespf.org.uk.