

Pension Administration Strategy

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1. Introduction and Regulatory context

This is the pension administration strategy of West Midlands Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by the City of Wolverhampton Council (the administering authority).

The pension administration strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. This document sets out a framework by way of outlining the policies and performance standards to be achieved to enable provision of a cost-effective and high quality pension administration service.

The LGPS is a statutory scheme and governed by regulations. The most recent of such regulations, appertaining to administration are the LGPS (Administration) Regulations 2014. Discharging their roles and responsibilities under these regulations, the Fund and employers are also required to comply with any pertinent overriding legislation and take appropriate recognition of any regulatory guidance or Code of Practice issued by the Pension Regulator.

2. Aims

The aims of this pension administration strategy are to:

- provide a high quality pension service to employees
- set out the quality and performance standards expected of the Fund and its scheme employers; and
- promote good working relationships and improve efficiency between the Fund and its scheme employers.

The efficient delivery of the benefits of the scheme is reliant upon effective administrative procedures being in place between the Fund and scheme employers. Most notably the timely exchange of accurate information in relation to Fund members.

This administration strategy sets out the expected levels of performance of the Fund and the scheme employers, and provides details about the monitoring of performance levels and the action(s) that might be taken where standards are not met and/or persistent non-compliance occurs.

The administration strategy effective from 1 April 2017 was introduced in April 2015, with revisions since that date captured in this document. The Fund will continue to keep the strategy and policy document under review and update as required to reflect changes in scheme regulations and Fund working practices.

3. Roles and Responsibilities

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the LGPS. In addition, regulatory guidance sets out a number of requirements for the Fund and scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies.

3.1. Scheme Employer

3.1.1. Duties and Responsibilities

| Function/Task | | Expectation |
|----------------------|--|--|
| 1. | General Information | |
| 1.1 | Confirm nominated representative(s) to receive information from the Fund via the submission of a completed contact form via portal | 30 April each year (to be submitted via web portal) |
| 1.2 | Appoint person for stage 1 of the pension dispute process (IDRP) and provide full up to date contact details to the Fund | Within 30 days of becoming a scheme employer or following the resignation of the current adjudicator |
| 1.3 | Formulate, publish and keep under review policies in relation to all areas where the employer may exercise a discretion within the LGPS. | A copy of the policy document is to be submitted to the Fund within one month of the change in policy |
| 1.4 | Distribute any information provided by the Fund to scheme members/potential scheme members (e.g. scheme benefits or benefit statement production) | In a timely manner, as required |
| 2. | Contributions | |
| 2.1 | Remit employer and employee contributions to the Fund | By 19 th of the following month |
| 2.2 | Implement changes to employer contribution rates as instructed by the Fund at the date specified by the Fund Actuary. | In line with the Rates Adjustment Certificate as per the valuation or on commencement as a scheme employer within the Fund |
| 2.3 | Ensure and arrange for the correct deduction of employee contributions from a member's pensionable pay and throughout their membership in the scheme (including any periods of leave) | As required, typically monthly |
| 2.4 | Manage the deduction of all additional contributions or amend such deductions, as appropriate | As required |
| 2.5 | Arrange for the deduction of AVCs and payment over of contributions to the AVC provider(s) and inform the Fund as required. | As required, typically monthly |
| 2.6 | Make additional fund payments in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent and a funding strain cost arises | Within 30 days of receipt of invoice from the Fund |
| 3. | Contracting of services | |
| 3.1 | Notify the Fund of contracting out services which will involve a TUPE transfer of staff to another organisation so that information can be provided to assist in the decision | At the point of deciding to tender |
| 3.2 | Work with the Fund to arrange for an admission agreement to be put in place when contracting out a service, and assist in ensuring it is complied with | In advance of the date of contract |
| 3.3 | Notify the Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Fund. | As soon as the decision is made |

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| 4. | Member information and general administration | |
| 4.1 | Provide the Fund with the following member information on one monthly file (via portal) ¹ : <ul style="list-style-type: none"> • new joiners • changes in employees' circumstances which may impact Fund benefits (e.g. movement in and out of the 50/50 scheme, marital or civil partnership status, maternity, paternity, career break, etc.) • employee and employer contributions and earnings | On a monthly basis, by the 19 th of the following month |
| 4.2 | Notify the Fund (via portal) when a member is due to retire including an accurate assessment of final pay details and authorisation of the reason for retirement | ASAP once final earnings are known, typically 3 weeks before and no later than 1 week after date of leaving. |
| 4.3 | Notify the Fund (via portal) when a member leaves employment including an accurate assessment of final pay details, | Within 4 weeks of month end of date of leaving |
| 4.4 | Notify the Fund (via portal) of the death of a scheme member | As soon as practicable, but within a maximum of ten days |

3.1.2. Performance measurements

The table below sets out the areas that employer performance will be routinely measured. The Fund will periodically review other employer responsibilities to ensure performance is in line with the expectations detailed in this strategy.

| Performance area | Measurement (working days where applicable) |
|--|---|
| Contributions | |
| Remit employer and employee contributions to the Fund | Payment of monthly employee and employer contributions in full by the 19 th of the following month. Under the Pensions Act 2004 and the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014, the Pensions Regulator may be notified if the above measurement is not met. |
| Member information and general administration | |
| Provide 2016/17 year-end information specified by the Fund ² | By 30 April 2017 (following the year-end) |
| To ensure optimum accuracy of year-end information, in line with the specified extract | Less than 5% of entries to error on import into the pension administration system |

¹ The implementation deadline for transitioning to monthly data and contribution submissions is September 2017. In the interim the 2015 PAS will be applicable.

² This is only required for the 2016/17 submission and monthly data and contribution submissions will apply thereafter.

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| Submission of a monthly data file via portal which includes the following in month data: <ul style="list-style-type: none"> new joiners changes in employees' circumstances which may impact Fund benefits (e.g. movement in and out of the 50/50 scheme, marital or civil partnership status, maternity, paternity, career break, etc.) employee and employer contributions and earnings paid within that period | By the 19 th of the following month |
| Notify the Fund when a member is due to retire including an accurate assessment of final pay details and authorisation of the reason for retirement | ASAP once final earnings are known, typically 3 weeks before and no later than 1 week after date of leaving. S4 form to be submitted via portal |
| Notify the Fund when a member leaves employment including an accurate assessment of final pay details using the method stipulated by the Fund. | Within 30 days of month end of date of leaving. S4 form to be submitted via portal |
| Respond to enquiries from the Fund in regards to member data queries (i.e. S15, N15 etc.) | Within 10 days from receipt of enquiry |
| IDRP | |
| Notify the Fund's compliance team of the receipt of a complaint under the IDRP process | Within 2 days of receiving the complaint |
| Notify the Fund's compliance team that the first stage decision has been issued | Within 5 days of issuing the decision |

3.2. West Midlands Pension Fund

3.2.1. Duties and responsibilities

This section outlines the key responsibilities of the Fund, what the Fund will do and by when. It is focussed on the key activities which scheme employers and scheme members are involved in and should not be viewed as an exhaustive list.

| Function/Task | | Expectation |
|---------------|--|--|
| 1. | General information | |
| 1.1 | Regularly review the Fund's pensions administration strategy and consult with all scheme employers | In advance of the policy being adopted |
| 1.2 | Regularly review the Fund's Funding strategy statement at each triennial valuation, following consultation with scheme employers and the Fund's actuary. | Publish by 31 March following the valuation date or as required |
| 1.3 | Regularly review the Fund's Communication policy statement | Annual review and publish within 30 days of the policy being agreed by the Pension Committee |
| 1.4 | Regularly review the Fund's Governance and compliance | Publish by 30 September, |

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| | statement | following the year-end or within 30 days of the policy being agreed by the Pension Committee |
| 1.5 | Regularly review the Fund's Termination policy statement and publish | Within 30 days of any changes being made to the policy |
| 1.6 | Publish the Fund's Annual report | By 31 December, following the year-end |
| 1.7 | Publish the Fund's Annual statement of accounts | By 30 September following the year-end or following the issue of the auditors opinion |
| 2. | Contribution requirements | |
| 2.1 | Consult with employers on the outcomes of the triennial valuation | At least 3 months in advance of the signing of the final Rates and Adjustment Certificate |
| 2.2 | Notify employers of contribution requirements for 3 years effective from April following the actuarial valuation date | At least 6 weeks before signing off of the Rates and Adjustment Certificate |
| 2.3 | Notify new scheme employers of their contribution requirements | Within 6 weeks of receipt of the notification of admission application or commencement as a scheme employer |
| 3. | Support for employers | |
| 3.1 | Provide support for employers through, a dedicated helpline, face to face meetings and written communications ³ | Twice per annum (usually June/July and November/December) |
| 3.2 | Organise and provide coaching sessions on the roles and responsibilities of an employer in the Fund | Quarterly and upon request or as required for scheme employers |
| 3.3 | Notify scheme employers and scheme members of changes to the scheme rules | As per disclosure requirements |
| 3.4 | Provide a facility (via web portal) for employers to calculate early retirement costs for active members | On an on-going basis |
| 3.5 | Production and maintenance of an IDRPs employer guide | On an on-going basis |
| 4. | Member information and general administration | |
| 4.1 | Produce annual benefit statements to active and deferred members as at 31 March each year | By 31 August following the year-end |
| 4.2 | Produce and issue pension savings statements each year to members who have exceeded their annual allowance | By the end of the tax year, 6 October (provided receipt of all relevant information from the scheme employer) |
| 4.3 | Publish and keep up to date all forms required for completion by scheme members or employers | 30 days from any revision |

3.2.2 Performance measurements

The table below sets out the Fund's key performance indicators in relation to processing scheme member records and benefits. The Fund aims to maintain performance at 90%.

| Function/Task | Measurement (working days where |
|---------------|---------------------------------|
|---------------|---------------------------------|

³ For further information please see the Fund's Communication Policy

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|---|---|
| | applicable) |
| New Joiners | |
| Set up a new starter and provide statutory notification to the member | Within 20 days of receipt of correct data file from a scheme employer |
| Transfers | |
| Transfer in quotations processed | Within 10 days of receipt of all the required information |
| Transfer notification of transferred in membership to be notified to the scheme member | Within 10 days of receipt of payment |
| Transfer out quotations processed | Within 20 days |
| Transfer out payments processed | Within 10 days |
| Additional contributions | |
| Notify the scheme employer of any scheme member's election to pay additional pension contributions, including all required information to enable deductions to commence | Within 10 days of receipt of election from a scheme member |
| Process scheme member requests to pay/amend/cease additional voluntary contributions | Within 5 days of receipt of request from scheme member |
| Leavers | |
| Deferred benefits calculated | Within 15 days of receipt of all necessary information |
| Deferred benefits processed for payment following receipt of election (and all necessary information) | Within 5 days |
| Refund payments | Within 5 days from receipt of all necessary information |
| Retirements | |
| Provision of retirement options to members | Within 15 days of receipt of all necessary information |
| New retirement benefits processed for payment following receipt of election | Lump sum payment within 5 days of receipt of all necessary documentation First pension payment on next available payroll run |
| Deaths | |
| Acknowledgement of a death | Within 5 days of receiving the notification. |
| Notification of benefits payable to dependents will be issued | Within 5 days of receiving the required information |
| Payment of death lump sum will be made information. | Within 10 days of receipt of all the required |
| Customer Service | |
| 85% of calls received to the customer helpline to be answered. | 85% |
| 85% of calls received to the employer helpline to be answered. | 85% |
| Provide an answer or acknowledgement to scheme members/scheme employers/ personal representatives/ dependents and other authorised persons. | Within 10 days from receipt of enquiry. |

In addition to the above the Fund monitors IDRPs cases and targets completion of stage 1 and stage 2 reviews within 2 months. For more information, please see the Fund's IDRPs policy.

4. Monitoring Performance

1.1. 4.1 Approach to managing performance

Ensuring compliance with the LGPS regulations and this administration strategy is the responsibility of the Fund and scheme employers. This section describes the ways in which performance and compliance will be monitored.

The Fund and scheme employers are to ensure that all functions and tasks are carried out to the agreed quality standards. On a regular basis, the Fund will monitor, measure and report on both the Fund's and scheme employers' compliance with the agreed service standards outlined in this document.

The Fund will undertake a formal review of performance against the administration strategy on an annual basis and liaise with employers in relation to any concerns on performance. The Fund monitors its own performance against internal key performance indicators. Monitoring occurs on a monthly basis and is reported to the Fund's Pension Committee on a quarterly basis. The performance of scheme employers against the standards set out in this document are incorporated into the reporting to the Committee, as appropriate, to include data quality. The Fund will also report back to employers about their individual performance, identifying any areas for improvement including outstanding data items.

Where persistent and on-going failure occurs in relation to administration requirements and no improvement is demonstrated by an employer, and/or willingness is shown by the employer to resolve the identified issue(s). The following sets out the steps that will be taken in dealing with this situation:

- Write to the scheme employer, setting out area(s) of non-compliance with performance standards and offer support and, where applicable, request attendance at a training/coaching session.
- Where no improvement has been demonstrated by the employer, or where there has been a failure to take agreed action by the scheme employer, or no response is received to the initial letter, the scheme employer will be asked to attend a conference call/meeting with representatives of the Fund to discuss area(s) of non-compliance with performance standards and to agree an action plan to address them. Where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.
- If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out:
 - the area(s) of non-compliance with performance standards that have been identified,
 - the steps taken to resolve those area(s) and;
 - provide notice that the additional costs will now be reclaimed.
- An invoice will then be issued to the scheme employer clearly setting out the calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of poor performance, in accordance with the charging scale set out in this document. A report will be

presented to the quarterly Committee meeting detailing charges levied against scheme employers and outstanding payments.

- If poor performance continues, impacts the Fund's ability to perform statutory functions and/or measures are not being taken by the employer to address this, the Fund will consider reporting the employer to the Pension Regulator.

4.2 Policy on Charging Employers for Poor Performance

The LGPS regulations provide pension funds with the ability to recover from a scheme employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that scheme employer. Where any such additional costs are to be recovered by the Fund, written notice will be provided stating:

- the reasons that the scheme employer's poor performance contributed to the additional cost
- the amount of the additional cost incurred
- the basis on how the additional cost was calculated, and;
- the provisions of the administration strategy relevant to the decision to give notice.

It is the policy of the Fund to recover additional costs incurred in the administration of the scheme as a direct result of the poor performance of any scheme employer (including the administering authority).

Please note that where an employer fails to pay any amount due to the Fund (other than monthly contributions) within 30 days, interest for late payment will be charged accordingly. This includes charges and recharges levied under this policy.

4.3 Charging scales for administration

The table below sets out the charges which the Fund will levy on a scheme employer who fails to meet the standards required. Each item is referred to in the 'Scheme Employer Performance measurement section of this document.

| Item | Charge | Ref |
|--------------|--|----------------------------------|
| Monthly task | Failure to comply with one or both of the following requirements: <ul style="list-style-type: none">• Payment of monthly employee and employer contributions[^] in full by the 19th of the following month;• Provision of a fully-completed and accurate CON1B form by the 19th of the following month. | £100 per occasion plus interest* |

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| Annual task | Failure to comply with one or both of the following requirements: <ul style="list-style-type: none"> • Submission of the Member data file by 30th April • Submission of the Final statement by 30th April | £250 standing charge, plus: <ul style="list-style-type: none"> • 5p per member** per working day late for the first month following the deadline • 10p per member** per working day late for the second month following the deadline • 15p per member** per working day late for the third month following the deadline and every month thereafter A minimum daily rate will be set at: <ul style="list-style-type: none"> • £5 per day for the first month following the deadline • £10 per day for the second month following the deadline • £15 per day for the third month following the deadline | |
| Annual quality review | Quality of the year-end information provided is below the acceptable tolerance level set at 5% for % of errors received | The Fund will recover costs for the work involved to resolve these errors. Typically costs will be based on Officer hourly rates but will be determined based on the resources required to address errors above the tolerance. | |

^Future service contributions including additional contributions e.g. APP and APC's
*Interest will be charged in accordance with Regulation 44 of the LGPS administration regulations, which states interest should be charged at Bank of England base rate plus one per cent.
**Number of active members held on the Fund administration system at 31 March 2016.

Please note:

- If an employer annual return is received by 30 April and the return is accepted, no charge will apply.
- If the annual return is received by 30 April and the return is rejected but subsequently re-submitted and accepted within 2 weeks of being notified of the rejection, no charge will apply.

4.4 Feedback from employers

Employers who wish to provide feedback on the performance of the Fund against the standards in this administration strategy should email comments to wmpfemployerliaison@wolverhampton.gov.uk

This feedback will be incorporated into the quarterly reports to the Committee.