

East Sussex Pension Fund Pensions Administration Strategy 2020

Introduction

East Sussex County Council is the Administering Authority for the Local Government Pension Scheme (LGPS) on behalf of the scheme employers participating in the LGPS through the East Sussex Pension Fund (the Fund). The LGPS is governed by statutory regulations.

This is the Pension Administration Strategy ("The Strategy") of the Fund in relation to the LGPS. The Strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. The employers of the Fund are consulted when any substantial changes are proposed to this Strategy.

The aim of this Pension Administration Strategy is to set out the quality and performance standards expected of the Fund and its employers and to further ensure that both the Administering Authority and the scheme employers are fully aware of their responsibilities under the Scheme, and to outline the key performance standards they are expected to meet to ensure the delivery of a high-quality, timely and professional administration service.

As at 31 March 2020 the Fund comprised 128 scheme employers with approximately 76,792 scheme members in relation to the LGPS. At the last assessment the value of the Fund was over £3.6bn

Setting out the expectations of the Administering Authorities and Employing authorities will help to ensure that:

- Administration standards improve and our maintained at a high standard;
- Set out the quality and performance standards expected of the administering authority and its scheme employers in relation to each other; and,
- Promote good working relationships and improve efficiency between the administering authority and its scheme employers for the benefit of Fund members.

This document therefore sets out a framework by way of outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high-quality pensions administration.

Delivery of a high standard of administration is not the responsibility of one person or organisation, but rather of a number of different parties, who between them are responsible for meeting the diverse needs of the membership. In recognition of these principles, this Strategy sets out:

- The roles and responsibilities of both the Fund and the scheme employers within the Fund;
- The level of service the Fund and scheme employers will provide to each other; and
- The performance measures used to evaluate the level of service.

This Strategy is an agreement between the Fund and its Scheme Employers and is effective from 1 January 2021.

Regulatory Provisions

The LGPS is a statutory scheme, principally governed by The Local Government Pension Scheme Regulations 2013 (the Regulations).

The Strategy has been created pursuant to Regulation 59 of the Local Government Pension Scheme Regulations 2013 and shall be reviewed at least every three years.

Our Aims and Objectives

The purpose of this Strategy is to set out the quality and performance standards expected of East Sussex County Council in its role of Administering Authority and Scheme Employer, as well as all other scheme employers within the East Sussex Pension Fund, and the Pension Administration Service.

The Fund has a number of specific administration objectives, these are to:

- provide a high quality, professional, proactive, timely and customer focussed administration service to the Fund's stakeholders;
- administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money;
- ensure the Fund's Scheme Employers are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of their administration obligations;
- ensure the correct benefits are paid to, and the correct income collected from, the correct members at the correct time;
- maintain accurate records and ensure data is protected and has authorised use only; and,
- ensure the roles and responsibilities for all stakeholders are clearly set out and understood so that they work seamlessly together in the delivery of the Fund's administration.

Administration of the East Sussex Pension Fund

The East Sussex County Council as Administering Authority, has delegated responsibility for the management of the Pension Fund to the East Sussex Pension Committee, taking into consideration advice from the Pensions Board. The Pension Committee monitors the implementation of this Strategy on an annual basis.

This strategy will ensure that Employers have a common understanding of their obligations under the Local Government Pension Scheme and that administrative processes are designed to maximise efficiency and manage risk.

The success of the Fund largely depends on the strength of the relationship between the administering authority and the employers that participate in it. Employers have a range of responsibilities within the LGPS and have an obligation to ensure that these duties are effectively delivered. The Fund will provide free training for Employers to build up and maintain a level of professional expertise which will enable Employers to deliver information required by the Fund to efficiently manage the scheme. This will ensure employers have a sound understanding of:

- Employer discretion policies;
- The role of the appointed person and the Internal dispute resolution procedure;
- Their responsibilities for starters, leavers and changes to membership as set out in the Fund's administration strategy;
- Their responsibilities for collecting and remitting contributions (and, additional contributions);
- The reasons for leaving under the LGPS regulations;

- Providing information requested by the Fund at year end or as required; and,
- Their responsibilities with respect to outsourcing, staff transfers and reorganisations.

Communications

The Fund has a published Communication Strategy Statement in June 2020 which describes the way the Fund communicates with its scheme members, scheme employers and other stakeholders and interested parties. The latest version of the Communication Strategy Statement can be obtained from the Fund's website:- <https://www.eastsussex.gov.uk/yourcouncil/pensions/members/>.

The Fund aims to communicate to scheme employers on an ongoing basis in respect of developments relating to the LGPS including training opportunities as well as ensuring that employers are notified of changes to either professional practice, administration procedures, legislation, notifications from the Pension Regulator, and/or changes to pension scheme regulations as these arise. The Fund holds at least one Employer Forum annually in November, to provide opportunities for networking, meet and greet opportunities as well as to provide information on developments in progress which may affect all scheme employers and scheme members.

Performance Standards

The Administering Authority and Scheme employers have statutory obligations, functions and tasks in respect of the rights and entitlements of individual scheme members. These define a standard of performance and service delivery to individual scheme members, which constitute the agreed statutory minimum standards to which scheme employers must comply.

In instances where scheme employers use external service providers for functions relating to the administration of the LGPS, it is incumbent on all employers to ensure that their suppliers and service providers comply with applicable legislation and regulations which apply to the administration of the East Sussex LGPS.

Applicable legislation and regulations

Scheme employers must comply with overriding Local Government Pension Scheme Regulations, including:

- Pensions Act 2004 & 2011 and associated disclosure legislation
- Public Service Pensions Act 2013 and associated record keeping legislation
- Freedom of Information Act 2000
- Equality Act 2010
- Data Protection Act 2003/GDRP legislation effective from 25 May 2018
- Finance Act 2013
- Health and Safety Legislation
- Any other legislation that may apply at the current time
- The Pension Regulator Codes of Practice

Roles and Responsibilities

Scheme Manager

The East Sussex County Council as Administering Authority, has delegated responsibility for the management of the Pension Fund to the East Sussex Pension Committee, to oversee the management of the Pension Fund. The Pension Board provides assistance to the Administering Authority in ensuring compliance with the regulations and in particular as this affects the administration of the Pension Fund and will therefore review the effectiveness of the Fund's Pension Administration Strategy on an annual basis. Details of roles and responsibilities of the Scheme Manager is set out in Appendix A.

Pension Administrator

The Pension Administration is delivered as an in-house service and the performance standards that scheme employers and scheme members should expect is outlined in the Service Standards Agreement at Appendix B. The Service Standards Agreement is focused on the key activities which scheme employers and scheme members are involved in and should not be viewed as a complete list of all activities. It includes the performance standards that the Administering Authority has agreed for itself as an internal pension administration service.

Scheme Employer Responsibilities

The roles and responsibilities of Scheme Employers are set out in Appendix C. The appendix defines the main responsibilities of Scheme Employers which in working in partnership with the Pension Administration Service ensures an efficient, accurate and high-quality pension service to scheme members.

Improving Performance

The Fund's Pension Administration Service provide the administrative support to ensure that the administration functions are delivered in compliance with the requirements of the law. If scheme employers do not provide the requested data correctly, in the correct format and within the timescales requested by the Administrator, the Fund cannot meet its legal obligations and may be liable to penalty fines imposed by the Pension Regulator.

This Strategy is therefore focussed on good partnership working between Administrator and the Fund's scheme employers. However, it is recognised there may be circumstances where employers are unable to meet the required standards. The Administering Authority will seek, at the earliest opportunity, to work closely with employers in identifying any areas of poor performance or misunderstanding, provide opportunities for necessary training and development and put in place appropriate processes to improve the level of service delivery in the future.

It is expected that it will be extremely rare for there to be ongoing problems but, where persistent and ongoing failure occurs and no improvement is demonstrated by an employer, and/or unwillingness is shown by the employer to resolve the identified issue, we set out below the steps the Fund will take in dealing with the situation in the first instance:

- The Administering Authority will issue a formal written notice to the person nominated by the employer as their key point of contact, setting out the area(s) of poor performance.
- The Administering Authority will request a meeting with the employer to discuss the area(s) of poor performance, how they can be addressed, the timescales in which they will be addressed and how this improvement plan will be monitored.
- The Administering Authority will issue a formal written notice to the person nominated by the employer, setting out what was agreed at that meeting in relation to how the area(s) of poor performance will be addressed the timescales in which they will be addressed.
- A copy of this communication will be sent to:
 - The Head of Pensions at East Sussex County Council
 - The Director of Finance or other senior officer at the relevant employer.
- The Administering Authority will monitor whether the improvement plan is being adhered to and provide written updates at agreed periods to the person nominated by the employer, with copies being provided to the Head of Pensions and the Director of Finance (or alternative senior officer) at that employer.
- Where the improvement plan is not being delivered to the standards and/or timescales agreed, the matter will be escalated the Head of Pensions who will determine the next steps that should be taken. This may include (but is not limited to):
 - Meetings with more senior officers at the employer
 - Escalating to the Pension Committee and/or Pension Board, including as part of the Fund's Procedure for Recording and Reporting Breaches of the Law
 - Reporting to the Pensions Regulator or Scheme Advisory Board, as part of the Fund's Procedure for Recording and Reporting Breaches of the Law.

Circumstances where the Administering Authority may levy costs associated with the Employers poor performance

The Fund will work closely with all employers to assist them in understanding all statutory requirements, whether they are specifically referenced in the LGPS Regulations, in overriding legislation, or in this Strategy. The Fund will work with each employer to ensure that overall quality and timeliness is continually improved. The 2013 LGPS Regulations provide that an administering authority may recover from an employer, any additional costs including interest associated with the administration of the scheme, incurred as a result of the unsatisfactory level of performance of that employer.

Where an administering authority wishes to recover any such additional costs they must give written notice stating:

- The reasons in their opinion that the employer's level of performance contributed to the additional cost.
- The amount the Administering Authority has determined the employer should pay.
- The basis on which this amount was calculated.
- The provisions of the Strategy relevant to the decision to give notice.

The Administering Authority will generally not recharge to an employer any additional costs incurred by the Fund in the administration of the LGPS as a direct result of such unsatisfactory performance. However, in instances where the performance of the employer results in:

- fines being levied against the Administering Authority by the Pensions Regulator, Pensions Ombudsman or other regulatory body, an amount no greater than the amount of that fine will be recharged to that employer.
- the improvement plan as outlined later in this statement is not being adhered to, the Pension Committee may determine that any other additional costs will be recharged. In these circumstances, the Pension Committee will determine the amount to be recharged and how this is to be calculated. The employer in question will be provided with a copy of that report and will be entitled to attend the Pension Committee when this matter is being considered.

Employers may also be required to pay for additional work that is outside of business as usual, such as:

- Requesting the Fund undertake non-standard work
- Requesting work to be completed earlier than the normal service standards.

The employer's agreement to the charge will be obtained prior to the work being carried out. All additional costs relating to this Strategy are met directly by the Fund unless mentioned otherwise.

Fees for additional administration

The table below sets out the fees which the Fund will levy on a scheme employer whose performance falls short of the standards set out in this document. Charging is a last resort and the approach outlined in the section above will be followed before a fee is levied.

1. Multiple payments/LGPS31 forms received for a single employer, per month		£20.00 administration charge per additional payment
2. Change Notifications failure to notify the administrators of any change to a member's - working hours - leave of absence with permission (maternity, paternity, career break) or - leave of absence without permission (strike, absent without permission) - within 20 days of the change in circumstance	1st instance 2nd instance	Warning £50 fine per member
3. Year End Data - Failure to provide year end data by 30th April following the year end or the non-provision of year end information or the accuracy/quality of the year end data is poor requiring additional data cleansing		Late receipt - initial fee of £300 then a fee of £150 for every month the information remains outstanding Quality/format of data – fee of £150 should data provided not be in the correct format and/or the quality is poor
4. New Starter(s) Failure to notify the administrators of new starter(s) and the late or non-provision of starter form(s) – within 15 days of employee joining the scheme	1st instance 2nd instance	Warning £50 fine per member
5. Leaver(s) Failure to notify the administrators of any leaver(s) and the late or non-provision of leaver form(s) including an accurate assessment of final pay – within 15 days of employee leaving the scheme or employment	1st instance 2nd instance	Warning £50 fine per member

Warnings for non-compliance will operate on a rolling 12-month basis, for example, should a warning have been issued and 10 months later there is a 2nd instance, a fine will apply. However, if it is 13 months later, another warning will be issued.

If an issue has not been resolved within 10 working days of a warning being issued, a fine will apply and the Fund may take further action as appropriate regarding the failure to comply with the statutory requirements.

In addition to the above interest may be charged at 1% above base rate on any sum remaining unpaid for more than one month beyond the date on which it became due.

Key Risks

The key risks to the delivery of this Strategy are outlined below. The Head of Pensions and other officers will work with the Pension Committee and the Pension Board in monitoring these and other key risks and consider how to respond to them.

- 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 employing bodies causes strain on day to day delivery
- Inadequate performance against service standards
- Significant external factors, such as national change, impacting on workload
- Incorrect calculation of members' benefits, resulting in inaccurate costs
- Employer's failure to provide accurate and timely information resulting in incomplete and inaccurate records. This leads to incorrect valuation results and incorrect benefit payment.
- Failure to administer the scheme in line with regulations as listed under 'Regulatory Basis' in this Statement. This may relate to delays in enhancement to software or regulation guidance.
- Failure to maintain records adequately resulting in inaccurate data.
- Use of external printers/distributors resulting in possible data mismatch errors
- Unable to deliver an efficient service to pension members due to system unavailability or failure
- Failure to maintain employer contact database leading to information being sent to incorrect person

Consultation and review process

This Strategy was approved in September 2020 by the East Sussex Pension Committee. It is effective from 1 October 2020. It will be formally reviewed annually and updated at least every three years, if there are any changes to the LGPS or other relevant Regulations or Guidance which need to be taken into account.

In preparing the original Strategy the Fund is consulting with its scheme employers, the scheme member and employer representatives on the East Sussex Pension Board and other persons considered appropriate. The employers of the Fund will also be consulted should any substantial changes be proposed to this Strategy following consultation.

The latest version of this Strategy will always be available on the ESCC website: <https://www.eastsussex.gov.uk/yourcouncil/pension-fund-policies/> and the ESPF website: <http://www.eastsussexpensionfund.org/east-sussex-pension-fund/about-us/forms-andpublications/>

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