

THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

PENSION BOARD – 23 FEBRUARY 2021

**REPORT FROM THE DIRECTOR OF HUMAN RESOURCES AND
ORGANISATIONAL DEVELOPMENT**

RBKC PENSION ADMINISTRATION STRATEGY (APRIL 2021)

This report proposes updates to the RBKC Pensions Administration Strategy, effective 1 April 2021.

FOR INFORMATION

1. INTRODUCTION

- 1.1 Regulation 59 of the Local Government Pension Scheme Regulations 2013 (LGPS 2013) enables an Administering Authority to prepare a document (“Pension Administration Strategy”) detailing administrative standards, performance measurement, data flows and communication vehicles with Employers.
- 1.2 This report proposes updates to the RBKC Pension Administration Strategy to maintain its relevance to current LGPS operational and regulatory requirements in accordance with best practice.

2. PROPOSED PENSION ADMINISTRATION STRATEGY

- 2.1 Appendix 1 contains the proposed new Pension Administration Strategy, effective from 1 April 2021. Changes from the current version, last issued in August 2016, are:
 - a) Replacement of references of Surrey County Council with RBKC.
 - b) Review of all target timescales for each item of activity in sections 5 and 6.
 - c) Clearer definition of employer responsibilities in terms of monthly and annual returns of data, and inclusion of the potential move to iConnect electronic data submission in the future.

3. Financial and Property, Legal, Sustainability, Risk, HR and/or Equalities Implications *(to be included in all reports)*

- 3.1 None.

4 RECOMMENDATION

4.1 That the Pensions Board notes the contents of this report.

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Background papers: None.

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Attached: Appendix 1 – Proposed Pension Administration Strategy April 2021



THE ROYAL BOROUGH OF
KENSINGTON
AND CHELSEA

Local Government Pension Scheme

Pension Administration Strategy

Effective from 1 April 2021

RBKC LGPS Pension Administration Strategy

Contents

1. Introduction

2. Policy Statement

Pensions Administration Strategy Policy Statement

Statutory background

Aims & Objectives

Other documents which make up the overall strategy

3. Roles and responsibilities

Administering Authority

Scheme Employers

4. Liaison, engagement and communication strategy

5. Standard of expected service between the Administering Authority and Scheme Employers

6. Pensions Administration Strategy - Schedule of Charging

7. Strategy to develop web enabled services for employers.

8. Further Information.

1. Introduction

The delivery of a high quality, cost effective local government pensions administration service is not just the responsibility of the Administering Authority (Royal Borough of Kensington & Chelsea [RBKC]), it also depends upon collaborative working with all stakeholders to ensure that Scheme members, and other interested parties, receive the appropriate level of service and ensure that statutory requirements are met.

The aim of this Pensions Administration Strategy (PAS) is to ensure that the Administering Authority along with its Admitted and Scheduled body employers are aware of their responsibilities under the Local Government Pension Scheme (LGPS).

This document also shows the relationship and details the split of responsibilities between the Administering Authority and the Admitted and Scheduled body employers (Employers).

Throughout this document contractual and best practice levels of performance are referenced with the aim of incrementally improving the provision of timely accurate data and levels of pension administrative services.

Failure to comply with the standards shown in this document could result in charges being levied by the Administering Authority to Employers in accordance with the terms set out in the schedule of charging in Section 6.

2. PAS Policy Statement

Pensions Administration Strategy Policy Statement

This statement sets out the aims and objectives of the PAS and references other documents which together make up the overall pensions administration management system.

Statutory background

Regulation 59 of the Local Government Pension Scheme Regulations 2013 (LGPS 2013) enables an Administering Authority to prepare a document detailing administrative standards, performance measurement, data flows and communication vehicles with Employers.

Regulation 70 of the LGPS 2013 allows an Administering Authority to recover costs from a scheme Employer where costs have been incurred because of an Employer's non-compliant level of performance in carrying out its functions and/or complying with its obligations under the Regulations.

Aims & Objectives

In creating this strategy, the aim of the Administering Authority is to have in place a pension management system that meets the needs of the stakeholders by:

- clarifying the roles and responsibilities of all the major stakeholders.
- ensuring the services provided by all the major stakeholders are accessible, equitable and transparent
- assisting Employers to provide the effective provision of timely and accurate data

To support these aims this PAS document introduces:

- the standard of expected service between the Adminstrating Authority and Employers
- a schedule of charges that may apply when standards of service fall below expectations
- a strategy in place to develop web enabled services for Employers and employees.

Other documents which make up the overall strategy

- Local Government Pension Scheme Communications Policy

3. Roles and Responsibilities

Administering Authority

The main responsibilities of the Administering Authority are:

- To monitor scheme employer compliance with their responsibilities under the LGPS regulations and elsewhere.
- To decide how any previous service or the employment of an employee is to count for pension purposes, and whether such service is classed as a 'period of membership'.
- To notify each member regarding the counting of membership in the scheme.
- To set up and maintain a record for each member of the scheme which contains all the information necessary to produce an accurate pension benefit calculation following the employer providing useable, accurate and timely financial data.
- To calculate and pay the appropriate pension benefits at the correct time, based on membership details held the termination date and the final pay details provided by the employer when an employee ceases employment, or ceases membership of the Scheme.
- To supply beneficiaries with details of their entitlements including the method of calculation.
- To set up and maintain a record for each pensioner member.
- To increase pensions periodically in accordance with the provisions of Pensions Increase Acts and Orders.
- To pay benefits to the correct beneficiaries only, and to take steps to reduce the possibility of fraud taking place.
- To ensure that sufficient information is issued to satisfy the requirements of Regulation 61 of the LGPS 2013 (statements of policy concerning communications with members and Scheme employers).
- To maintain an appointed person for the purposes of the scheme internal dispute resolution procedure (IDRP)

- To appoint all necessary advisors to enable the appointed person to perform the duties required by the IDRPs.
- To appoint an actuary for the purposes of the triennial valuation of the Pension Fund and provide periodical actuarial advice and any other valuations when required.
- To arrange and manage the triennial valuation of the pension fund.
- To ensure compliance with the Data Protection Act 2018.

Scheme Employers

The main responsibilities of a Scheme Employer are:

- To decide who is eligible to become a member of the Scheme, in accordance with LGPS eligibility requirements.
- To decide whether that person is employed in a full time, part time, variable time or casual capacity. If the employee is part time the employer must determine the proportion which the employees' contractual hours relate to the hours of a comparable full time employee.
- To determine the pensionable pay of employees for the purposes of calculating employee and employer pension contributions, in accordance with LGPS regulations.
- To determine final pay for the purposes of calculating benefits due from the Scheme, in accordance with LGPS regulations.
- To issue a notification to any employee who cannot become members of the Scheme, explaining the reason(s) why.
- Where, after reasonable efforts, an employee fails to provide information relating to previous service, to provide basic information to the Administering Authority as required by the Administering Authority.
- At cessation of membership of the Scheme, to determine the reason for leaving and entitlement to benefit, and to notify the Administering Authority and the Scheme member of the decision.
- To supply timely and accurate information each month (and at financial year-end) to the Administering Authority (or during any other additional periods as may be required by the Administering Authority) to ensure the correct calculation of benefits payable from the Scheme. The submission format(s) and submission date(s) of such data must meet the requirements of the Administering Authority.
- To deduct Additional Voluntary Contributions (AVCs) from a member's pay and to pay over to the AVC provider within the statutory deadlines.
- To be responsible for exercising the discretionary powers given to Employers by the LGPS regulations. These regulations also require the Employer to publish its policy in respect of these key discretions.

- To provide a notice, drawing the employee's attention to their right of appeal under the LGPS, with any statement issued to an employee relating to any decision made about the Scheme.
- To use an Independent Registered Medical Practitioner qualified in Occupational Health medicine that has been approved by the Administating Authority in determining ill health retirement.
- To repay to the Scheme member any incorrectly deducted employee's contributions.
- To provide the Administating Authority with an audited copy of the final annual statement for the financial year, which shall also contain the name and pensionable pay of each employee who is an active member, the amounts which represent pension deductions from pay for each of those employees and the periods covered by the deductions and any other information requested by the Administering Authority. The information should also distinguish those amounts representing deductions for voluntary contributions and the employees paying those voluntary contributions.
- To be responsible for complying with the requirements for funding early retirement for whatever reason as set out in the rates and adjustments certificate issued by the Actuary following the triennial valuation of the fund, or any other interim valuation of the fund by the Actuary.
- Pay the Administating Authority interest on payments due from the Employer which are overdue by more than one month.
- Where a member leaves the Scheme and full contributions have not been deducted for whatever reason, immediately make payment of outstanding member's and Employer's contributions to the Administating Authority.
- To ensure compliance with Data Protection Act 2018.

4. Liaison, Engagement and Communication Strategy

The Administating Authority will issue and annually review their Local Government Pension Scheme Communications Policy. The policy will include a strategy for communicating with:

- Scheme Members
- Members' Representatives
- Prospective members
- Employers participating in the Fund

This policy document will set out the mechanisms that the Administating Authority will use to meet their communication responsibilities it will also include details of what is communicated and the frequency.

The Administating Authority will annually issue an engagement plan that will include events for employers, members of the scheme and perspective members of the scheme.

5. Standard of expected service between the Administating Authority and Scheme employers

* Body responsible for the action (AA = Administering Authority; E = Employer)

Note: performance targets assume all correct and relevant data is supplied in order to meet the target timescale.

Who *	Administration Description	Performance Targets	Acceptable performance
	<u>New Starters and Transfers In</u>		
E	New starter: The Employer to give potential new members the pensions information contained in the most recent starter pack.	Within 20 working days before the new employee's first day of employment.	100% compliance within the target
E	New scheme member: Employer to send to the Administering Authority the details of the new member.	Within 25 working days after the scheme membership start date.	100% compliance within the target
AA	New scheme member Administering Authority to create a new pensions record from the completed notification from the Employer	Within 20 working days from the date of notification.	100% compliance within the target
AA	New scheme member: Administering Authority to request a transfer quote from the new member's previous scheme.	Within 20 working days of receipt of authorisation from the employee	100% compliance within the target
AA	New scheme member: Administering Authority to credit member record with membership due from transfer of previous pension benefits.	Within 20 working days of receipt of payment from previous pension scheme.	100% compliance within the target
AA	New Scheme member: Notification of service purchased by an incoming transfer to be provided to the scheme new member.	Within 20 working days of receipt of the all the information.	100% compliance within the target
	<u>Existing members and schemes</u>		
AA	Changes to data which materially affect actual or potential benefit calculations to be processed.	Within 20 working days of occurrence or receipt of all necessary information, whichever is later.	100% compliance within the target
AA	Admissions and Inter Fund Adjustment (IFA) in to be notified to the members concerned.	Within 20 working days of receipt of all necessary information.	100% compliance within the target

Who *	Administration Description	Performance Targets	Acceptable performance
AA	Transfers and Inter Fund Adjustment IFA out to be notified to the receiving scheme.	Within 20 working days of receipt of all necessary information.	100% compliance within the target
AA	The terms of purchasing additional pension to be notified to the member concerned.	Within 10 working days of receipt of all necessary information.	100% compliance within the target
AA or E	Refund of contributions, where due under the Regulations, to be calculated and paid.	Within 20 working days of receipt of all necessary information following the elapse of any period before which the contributions can be refunded.	100% compliance within the target
AA	Upon receipt of a death notification from an Employer of a pensioner; arrangements put in place for pension payments to cease immediately.	Within 1 working day of receipt of all necessary information.	100% compliance within the target
AA	Upon receipt of a death notification from an Employer of a pensioner, letters will be sent to next of kin or other relevant party. Setting up of any dependents pension.	Within 10 working days of receipt of notification of a death. Within 10 working days of receipt of all necessary information.	100% compliance within the target
	<u>Leavers and Transfers out</u>		
E	Leaver: Employer to send the Administrating Authority a completed leaver notification.	Within 25 working days from the employee's last day in the Scheme.	100% compliance within the target
AA	Leaver: Administrating Authority to issue a statement of deferred benefits as appropriate.	Within 20 working days of receiving the correctly completed leaver form from the Employer.	100% compliance within the target
AA	Leaver: Administrating Authority to issue quote for Cash Equivalent Transfer Value (CETV).	Within 20 working days of receipt of request.	100% compliance within the target

Who *	Administration Description	Performance Targets	Acceptable performance
E	Retirements: Employer to send the Administrating Authority a completed retirement notification.	Within 5 working days of the employee's retirement date.	100% compliance within the target
AA	Retirements: Administrating Authority to send benefit options to member together with relevant forms required for payment of retirement benefits.	Within 7 working days of receiving notification from the Employer.	100% compliance within the target
AA	Retirements: Administrating Authority to arrange the payment of Lump Sum if due,	Within 7 working days of receiving all required information from the Employer and Member.	100% compliance within the target
AA	Retirements: Administrating Authority to arrange payment of Annual Pension (paid monthly)	On the next available monthly pensioner payroll run, provided the cut-off date for input has not already passed, and provided the Administering Authority has received the correctly completed Pension Options Form and any other required data from the Member.	100% compliance within the target
<u>Deductions</u>			
E	Employee contribution rate: To apply the appropriate LGPS employee banding tier to the scheme member, based on their actual pensionable pay in each pay period x 12, to arrive at the appropriate annual banding tier defined in the regulations.	In each pay period.	100% compliance within the target
E	Monthly deductions: Employer to send a monthly payment for all contributions, a monthly schedule of deductions from each scheme member's salary, and a monthly remittance summary, to the Administering Authority.	By the 19th day of the month following the month in which contributions were deducted, or the working day immediately prior to this if the 19th falls on a weekend or bank holiday.	100% compliance within the target

Who *	Administration Description	Performance Targets	Acceptable performance
	<p>Payments of contributions by cheque are not acceptable, only by BACS or CHAPS will be accepted.</p> <p>The monthly schedule of member deductions and the monthly remittance must be in a format specified by the Administering Authority. Only one payment of contributions, one schedule of deductions, and one monthly remittance will be accepted from each employer for each month. An employer running multiple payrolls for the same employer or weekly / fortnightly payrolls will be required to combine all data and all payments onto a single return and single payment for the month.</p> <p>Where the Administering Authority requires data to be returned in an electronic format (e.g. for iConnect), the Employer must comply with the formatting and submission requirements as specified by the Administering Authority.</p>		
E	<p>Year-End Provide the Administering Authority with a year-end schedule of all scheme member deductions and any other required information for the financial year, in a format determined by the Administering Authority.</p>	By 30 April annually	100% compliance within the target
	<u>Pensioners</u>		
AA	<p>Payslips: Every pensioner to receive a monthly pension advice payslip in the months of March and April. Thereafter, a hard copy payslip will be generated only where the net pension alters by ten pounds</p>	March and April	100% compliance within the target

Who *	Administration Description	Performance Targets	Acceptable performance
	(£10) or more from the previous month.		
AA	Increases or decreases: Notify the pensioners of the increase or decrease and its effect on their pension by standard letter.	In the month of the payment increase or decrease	100% compliance within the target
	<u>Advisory & Communications</u>		
AA	Contact centre Answer phone calls and deal with queries from members and employers.	On working days between the hours of 9.00 am and 5.00 pm	100% compliance within the target
	<u>Complaints</u>		
AA	All complaints to be acknowledged. A full written response to a complaint must be sent to the complainant	Within 5 working days. Within 20 working days of its receipt by the Administering Authority, subject to all necessary information being available to enable a full response to be given. If all necessary information is not available a holding reply will be sent to the complainant which indicates when a full response will be provided.	100% compliance within the target

* Body responsible for the action (AA = Administering Authority; E = Employer)

6. Pensions Administration Strategy - Schedule of Charging

The Administering Authority has the right to recover from the Employer any additional costs that it may incur because of an Employer's poor performance in respect of its obligations to the LGPS, which includes the Employer's inability to provide data in an accurate and timely manner to the Administering Authority.

It is expected that the Administering Authority will have constructive dialogue with any employer that is failing to meet any of its obligations under the LGPS. The final decision on whether to impose costs or charges rests with the Administering Authority. Employers have a duty to seek advice from the Administering Authority if they experience any difficulties in meeting their obligations.

In accordance with the regulations the Administrating Authority will give the reasons for imposing any charges or recovering any additional costs in incurs.

In addition to the schedule below other circumstances could generate a charge:

- Instances where the performance of the Employer in respect of compliance with the LGPS regulations has resulted in fines being levied against the Administering Authority by the Pension Regulator, Pensions Ombudsman, HMRC or other regulatory body.
- Additional cost incurred in providing specialist 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.
- Persistent failure to resolve issues in a timely and satisfactory fashion.

In these circumstances the Administrating Authority will set out the calculations of any loss or additional cost incurred, in writing, stating the reason for the cost(s) and the basis for the calculation.

The following schedule identifies the standard charges that the Administering Authority may apply in cases associated with the administration of starters, transfers-in, leavers, transfers-out and the monthly submission of employee and employer pension contributions and schedule of deductions to the Administering Authority:

Administration Description	Performance Targets	Charge if employer fails to comply within the target
<u>New Starters and Transfers In</u>		
New scheme member: Employer to send to the Administrating Authority the details of the new member.	Within 25 working days after the employee's scheme membership start date.	£50 per case
<u>Leavers and Transfers out</u>		
Scheme Leaver: Employer to send the Administrating Authority a completed leaver notification.	Within 25 working days from the employee's last day in the Scheme.	£50 per case
Retirements: Employer to send the Administrating Authority a completed notification.	Within 5 working days of the employee's retirement date.	£50 per case
<u>Deductions</u>		

Administration Description	Performance Targets	Charge if employer fails to comply within the target
<p>Monthly deductions: Employer to send funds and a remittance and a schedule of deductions from salary to the Administering Authority, and an iConnect electronic submission (where required by the Administering Authority).</p>	<p>By the 19th day of the month following the month in which contributions were deducted</p>	<p>£100 per instance of late delivery per month</p>
<p>Year-End Provide the Administering Authority with a year-end schedule of all scheme member deductions and any other required information for the financial year, in a format determined by the Administering Authority.</p>	<p>By 30 April annually</p>	<p>£100 per instance of late delivery</p>

7. Further Information

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