



Leadership Advisory Panel

10.00am, Tuesday, 31 March 2020

Lothian Pension Fund – Administration Strategy

1. Recommendations

The Leadership Advisory Panel is recommended to:

- 1.1 approve the draft revised Pensions Administration Strategy, subject to any further amendment arising from the forthcoming employer consultation being reported to the Committee at its next meeting.

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Policies and Strategies

2. Executive Summary

- 2.1 The Lothian Pension Funds' Pensions Administration Strategy (PAS) has been reviewed to allow LPF to charge employers for consistently poor provision of information regarding members leaving and retiring. In addition, an amendment has been made to require admitted employers to sign revised admission agreements where appropriate.
- 2.2 As required under the Local Government Pension Scheme (Scotland) Regulations, a consultation exercise will be carried out with LFP's employers following Committee.

3. Background

Pensions Administration Strategy

- 3.1 Following the introduction of the relevant provisions into the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008, LPF adopted a Pensions Administration Strategy (PAS) effective from 1 April 2010. This was developed in order to:
- deliver a high-quality pension service to Scheme members; and
 - continually develop and improve efficient working arrangements.
- 3.2 The PAS sets out the standards for pension administration against which the fund's performance is assessed. Performance results are reported to employers by way of an annual performance report, with more frequent information provided to larger employers.
- 3.3 The fund is required to keep the PAS under review and consult with employers when making any changes.

4. Main Report

Pensions Administration Strategy

Employer Performance

- 4.1 LPF continues to regularly monitor employer performance against the standards set out in the strategy. These standards were set in consultation with employers in order to:
- comply with over-riding disclosure legislation; and

- deliver a high-quality service to scheme members

4.2 The strategy sets out timescales for provision of information at key points of the member lifecycle as shown below:

Process	Information required	Timescale
Retirement	Completed retiral form and where appropriate also upload: <ul style="list-style-type: none"> • signed letter authorising early payment of benefits completed by authorised signatory • previous year's pay information via spreadsheet found on Go Anywhere (if a certificate of protection is held) 	At least 20 working days before the member's date of leaving.
Ill Health Retirement	Completed retiral form and signed ill-health certificate completed by approved IRMP	No later than 5 working days after the member's date of leaving
Early leaver <i>(where the member is age 55 or over please process as a retirement)</i>	Completed early leaver form or cancellation of membership form as appropriate and also upload previous year's pay information if a certificate of protection is held	No later than 20 working days after the member's date of leaving
Death in Service	Completed death in service form and upload a certified copy of death certificate if available	No later than 10 working days after the member's date of death
Queries raised/further information requested by the Fund in dealing with a member's retirement	Any further information as required should be provided using the online secure message form.	No later than 5 working days after request for information has been sent to the employer
Any other queries (except those relating to year end)	Any further information as required, using the online secure message form or other online forms or uploaded documents as applicable.	No later than 10 working days after the query has been sent to the employer

4.3 Performance reports are provided to all employers on an annual basis, with quarterly reporting to the four Councils who provide the greatest volume of data.

- 4.4 Since the strategy was introduced, provision of early leaver and retiral data continues to be well below the expected standard. LPF officers have taken a variety of approaches to improve performance. These have included providing training to payroll/HR staff, presenting performance updates at employer seminars and user groups escalating to senior officers at annual meetings as well as more frequent meetings and monitoring where performance has been particularly poor.
- 4.5 Despite this engagement, provision of information relating to retirements and early leavers continues to be poor, as shown below:

	2017/2018	2018/2019	2019/2020*
Case type	% within target	% within target	% within target
Early leaver	43%	47%	42%
Retirement	41%	39%	38%

**for period 1 April 2019 – 31 December 2019*

This continued poor level of performance has a direct impact on the service the fund provides to members. It is clear such poor performance cannot be perpetuated.

- 4.6 To improve the service to members, therefore, it is proposed that Section 8.2 (Circumstances where indirect costs can be recovered from employers) is amended to add an additional instance where employers may be charged for poor performance.
- 4.7 It is proposed therefore to add the following wording to Section 8.2:

Failure to meet timescales for provision of early leaver information.	Failure to achieve performance level of 75% in target, a £250 charge plus £50 per case out of target. Charges to be levied on an annual basis at LPF's discretion.
Failure to meet timescales for provision of retirement information.	Failure to achieve performance level of 75% in target, a £250 charge plus £50 per case out of target. Charges to be levied on an annual basis at LPF's discretion.

- 4.8 Any charges levied will be communicated in the annual employer performance report. Meetings will be arranged to discuss steps to be taken to ensure improvements. The performance level of 75% will be kept under review: ultimately the desired level of performance is 100% of cases in target.

Admission Agreements

- 4.9 It is also proposed to amend Section 2 (Responsibilities) of Appendix A of the Administration Strategy, the role and responsibilities of the Employer. The following wording will be added under 'General Administration':

'Admitted employers are participating in the Fund by means of an admission agreement. The Fund will keep these agreements under review. To ensure compliance with current legislation and to ensure that the agreements reflect any changes in the employer's name or structure a revised agreement will be issued. The employer is responsible for signing any such revised agreements to maintain membership of the Fund.'

5. Financial impact

- 5.1 There is no direct financial impact aside from potential recovery of costs in the event of employer failure to provide specified information within required timescales.

6. Stakeholder/Regulatory Impact

- 6.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the fund and they will be invited to comment on the relevant matters through virtual engagement.
- 6.2 There are no adverse health and safety, governance, compliance or regulatory implications as a result of this report.

7. Background reading/external references

- 7.1 None.

8. Appendices

- 8.1 None.