



Pensions Committee

2.00pm, Thursday 5 December 2024

Revised Pensions Administration Strategy

Item number 6.3

1. Recommendations

The Pensions Committee (Committee) is requested to:

- 1.1 Approve the revised Pensions Administration Strategy; and
- 1.2 Note that the fund intends to consult with employers on the revised Pensions Administration Strategy.

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Revised Pensions Administration Strategy

2. Executive Summary

- 2.1 Committee are requested to approve the revised Pensions Administration Strategy (PAS).
- 2.2 The Lothian Pension Funds' Pensions Administration Strategy has been reviewed to reflect changes made to methods and timescales for employers to provide information to the fund. Amendments have also been made to Appendix D, to reflect changes made to the Compliance Certificate which employers must complete and return every year.
- 2.3 In addition, updates have been made to reflect the introduction of the Pension Regulator's General Code of Practice which replaces the previous Code of Practice 14.

3. Background

- 3.1 Following the introduction of relevant provisions into the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008, Lothian Pension Fund adopted a Pensions Administration Strategy (PAS) effective from 1 April 2010. This was developed 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 the provision of information both to and from the employer, setting out timescales for providing key information to ensure member records are accurate and that pension benefits are paid out in good time.
- 3.3 The PAS lists the roles and responsibilities for both employers and the fund. In the main these are taken from the LGPS regulations, however certain others reflect local practices such as:
 - The requirement for employers to complete and return a compliance certificate on an annual basis; and
 - The use of the fund's secure online portals to provide information to the fund.
- 3.4 The Scheme regulations require that the PAS should be kept under review, with changes made whenever the fund makes any material changes in policy in relation to any of the matters covered in the strategy.
- 3.5 Since the PAS was introduced, it has been amended to reflect changes in processes, such as the introduction of secure online employer portals which allow data to be

transferred to and from employers. In addition, feedback from employers has also been taken into consideration. The PAS was last reviewed in 2019.

- 3.6 As required under the Local Government Pension Scheme (Scotland) Regulations 2018, a consultation exercise will be carried out with the fund's employers following Committee.

4. Main Report

- 4.1 Further changes are now proposed to ensure that the PAS reflects recent changes in processes introduced to streamline the information required from employer.
- 4.2 These include a change to the process for members leaving the fund without an immediate entitlement to benefits ('early leavers'). As the fund now receives pay and contribution information on a monthly basis, for members who joined the scheme on or after 1 April 2015, only a date of leaving is now required. Members who joined prior to this date will have final salary benefits and therefore in addition to a date of leaving notification, final salary details are required. This information is not captured on a monthly basis, but a recent system enhancement will generate a task on the employer portal requesting final pay for relevant members. As a result of these changes, the timescale for provision of early leaver information has changed. Previously early leaver forms were required for all members within 20 working days of the date of leaving, however we now request that the early leaver notification is included on the monthly pay/contributions submission (submitted in the following month). Therefore, employers are now required to provide notifications no later than 35 working days following the date of leaving. Where final pay information is required, this must be submitted within 3 working days of the request being made to the employer. This latter timescale was discussed and agreed as reasonable with two of our largest employers.
- 4.3 Following a successful trial with one of our largest employers we will also be introducing changes to our retirement notification process. This will be rolled out to the remaining employers using a phased approach to allow us to provide sufficient training and guidance. The revised PAS reflects the new process. Again, the changes to our process allows us to dispense with the need for a retirement form with the employer simply providing a notification of the date of retirement. If applicable, a final pay request will be generated for employers to complete and return online. We have reduced the timescale for provision of this information from 20 working days in advance of retirement to 15 working days in advance. The final pay notification should, as above be completed within 3 working days.
- 4.4 We believe that these changes will make it easier for employers to supply the fund with timely information without leading to an adverse impact on members.

- 4.5 As Committee is aware, the fund carries out an annual covenant monitoring exercise which is an important part of our risk management process and is also used in setting contributions as part of the triennial valuation. The requirement to complete the survey has now been explicitly included in the revised PAS.
- 4.6 Amendments have also been made to reflect the introduction of the Pension Regulator's General Code of Practice earlier this year as well as some cosmetic amendments to the Compliance Certificate.
- 4.7 The revised PAS is attached as Appendix 1 to this report.

Next steps

- 4.8 As noted above, the fund will carry out a consultation exercise with employers on the revised PAS. An update will be provided to Committee at a later date.

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 are invited to comment on the relevant matters at Committee meetings.
- 6.2 As the changes to the PAS will impact employers, therefore the fund will carry out a consultation exercise with them, as required by the scheme regulations.
- 6.3 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

Appendix 1 - Revised Pensions Administration Strategy