

**WIRRAL COUNCIL**  
**PENSIONS COMMITTEE**  
**29 MARCH 2011**

<b>SUBJECT:</b>	<b>CHARGING POLICY</b>
<b>WARD/S AFFECTED:</b>	<b>ALL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF FINANCE</b>
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	<b>GEOFFREY WATT</b>
<b>KEY DECISION</b>	<b>YES</b>

**1.0 EXECUTIVE SUMMARY**

- 1.1 This report reviews current the charges made by the MPF for services provided to service users and employers.
- 1.2 Provision of the Pensions Administration service by the Council in its role as Administering Authority of the Merseyside Pension Fund under Regulation 30 and Schedule 4 of the LGPS (Administration) Regulations 2008 is a statutory duty.

**2.0 RECOMMENDATION**

- 2.1 That Members confirm the existing charges as set out in the schedule at Appendix 1.

**3.0 REASONS FOR RECOMMENDATION**

- 3.1 The current charging policy enables MPF to recover a contribution towards the operating costs in the following areas:
  - a. Charges for calculation work involved, and provision of information, in connection with Pensions Sharing on Divorce.
  - b. Charges for courses provided directly by MPF or on behalf of employers.
  - c. Charges for work on the administration of the Fire Pension Scheme on behalf of the Merseyside Fire & Rescue Authority.
  - d. Charges for failure of employers to carry out their responsibilities under the LGPS regulations as set out in the Pensions Administration Strategy.
- 3.2. The charges need to be reviewed on a regular basis.

#### 4.0 BACKGROUND AND KEY ISSUES

- 4.1 MPF raises income from a number of charges intended to recover certain additional costs which it may incur as outlined below:

##### **PENSIONS SHARING ON DIVORCE**

- 4.2. Charges for pensions sharing on divorce work including implementation of pensions sharing orders on divorce and provision of the estimated cash equivalent value of accrued Scheme benefits, (if such an estimate has already previously been provided within the previous 12 month period). Pension Schemes may recover the reasonable administrative costs of providing information and putting pension sharing orders into operation. Without this option other scheme members would in effect cross subsidise the additional costs of divorce work.
- 4.3 The current charging policy was approved by the Pensions Committee on 3 January 2001 (Minute 29 refers), having regard to: the amount of time required to process an average case, the level of charges recommended by the National Association of Pension Schemes (NAPF) and the charges determined by other comparable local authority pension funds at that time:-

**Provision of estimated cash equivalent value  
plus VAT** **£150**

**Implementation of pension sharing order  
plus VAT** **£500**

- 4.4 The recommended range of charges published by the NAPF at that time was:

Pensions Sharing Order	Cash Equivalent Estimate
Maximum £750	£150 per quote

- 4.5 The total income to the Merseyside Pension Fund net of VAT from pension sharing work carried out for the current and previous financial years is as follows:

Period	Amount
1/4/2009 - 31/03/2010	£3,543
1/4/2010 - 31/12/2010	£2,207

All of the income in the current and previous year relates to pension sharing orders as no requests for additional cash equivalent estimates were received.

The total cumulative amount recovered in charges for work on divorce since 1 December 2000 is £34,825.

- 4.6 The current level of charges agreed by other comparable local authority funds and the amounts recommended by NAPF are as follows:

## Current charges in force for divorce work

Fund	Pensions Sharing Order	Cash Equivalent Estimate
South Yorkshire	£350 + VAT	None
West Yorkshire	£350 + VAT	£50 + VAT
Greater Manchester	£600 including VAT	£180 including VAT
Tyne and Wear	£400 + VAT	£60 + VAT
West Midlands	£420 + VAT	£75 + VAT
NAPF	£1,100 to £2,350	£150 to £200

- 4.7 Having regard to: the amount of work involved in providing the information required in connection with divorce work, the actual levels of charges fixed by comparable local authority pension funds as shown above and the latest charges recommended by the NAPF, Members are recommended to confirm that the current scale of charges for work in connection with divorce in operation at MPF are retained unchanged at the present time.
- 4.8 In line with recommendations made by Internal Audit the level of these charges together with any others introduced in respect of pension fund activities will be subject to annual review and reported to the Pensions Committee.

## CHARGES FOR COURSES

### Employer Hosted Courses

- 4.9. MPF provides a portfolio of courses for members to attend, by arrangement with their employer. The courses vary in content, but all essentially involve work in advertising, administration and delivery by the Communications Team.
- 4.10. External speakers are used from a list of retained providers on State Pension (DWP), Independent Financial Advisors, Additional Voluntary Contribution (AVC) Providers, Solicitors and Health Professionals. These courses are well received by both employers and members, and there is increasing activity particularly in respect to courses related to severance and redundancy programmes.
- 4.11 If an employer has between 12 and 20 staff to attend a given course, then this is usually provided at a location within their offices. A course fee of £250 per day is charged to the employer, to cover administration costs & resources. A cancellation policy of £55 for the day if notice is between 15 - 28 days of the delivery date; with the full cost of £250 charged if 14 days or less notice is given by the employer.

**In the period 1 January 2010 - 31 December 2010, the following courses were delivered:**

Course Title	No of Courses	No of Members	Income
Mid-Life Planning	3	79	£ 750
Retirement Planning	7	110	£1,750
		Total	£2,500

### Fund Hosted Courses

- 4.12. Many employers cannot provide 12 or 20 staff to have a viable course hosted on their premises. MPF regularly advertises a programme of courses delivered at the Cunard Building, Liverpool. The nominal charge of £50 per delegate covers training, course materials, lunch and refreshments during the day. A cancellation charge of £25 per delegate is made if notice is between 15 - 28 days of the delivery date; with the full cost of £50 per delegate charged if 14 days or less notice is given by the employer.
- 4.13 Whilst not advertised on the main members' website, MPF is occasionally approached by individual members to attend a course hosted at the Cunard. The charging mechanism is the same per delegate rate, and invoicing, payment and receipt are made as appropriate.

**In the period 1 January 2010 - 31 December 2010, the following courses were delivered:**

<b>Course Title</b>	<b>No of Employers</b>	<b>No of Members</b>	<b>Income</b>
Mid-Life Planning	12	90	£3,600
Retirement Planning	18	73	£3,900
		Total	£9,900

A maximum of 8 delegates are charged for at the cost of £50 each (£400 in total) in respect of an individual employer with no additional charge for additional delegates.

### General & Topic Specific Presentations

- 4.14 In addition to courses, MPF provides presentations and 'surgery' sessions for members on an ad-hoc basis as requested by employers. There is no charge made to employers for the provision of these services. For resource management purposes, the Principal Communications Officer assesses each request on its merits, and if required, negotiates with employers for a more cost-effective alternative method of delivery if required.
- 4.15 Members are recommended to confirm that the current scale of charges for provision of courses is retained unchanged at the present time.

## **PROVISION OF PENSION ADMINISTRATION SERVICES TO MERSEYSIDE FIRE AND RESCUE AUTHORITY (MFRA)**

- 4.16 Since the abolition of Merseyside County Council on 31 March 1986 the Merseyside Pension Fund has by agreement continued to provide a pensions calculation and administration service to the Merseyside Fire & Rescue Authority (MFRA) to enable it to administer the Fire Pension Regulations.
- 4.17 MFRA pays an annual sum to cover the staffing costs required to carry out this work in accordance with a Service Level Agreement dated 3 July 2006. The charges are related to the estimated work undertaken and indexed to annual changes in a specified salary point. The amount recharged for financial year 2009/2010 was £74,716.89.
- 4.18 MFRA also meets the fees and charges in respect of the Fire Pensions modules of the AXIS computerised pensions administration system used to deal with the Fire scheme.
- 4.19. Members are recommended to confirm that the current charges for provision of services to MFRA are retained unchanged at the present time.

## **FAILURE OF EMPLOYERS TO CARRY OUT THEIR RESPONSIBILITIES UNDER THE LGPS REGULATIONS**

- 4.20 Recovery of additional costs falling on the Pension Fund arising an employers performance in carrying out their responsibilities under the LGPS regulations. Regulation 43 of the LGPS (Administration) Regulations 2008 refers:-

This regulation applies where, in the opinion of the Administering Authority, it has incurred additional costs which should be recovered from an employing authority because of that employing authority's level of performance in carrying out its functions under these Regulations or the Benefits Regulations.

- 4.21. The details of such charges are set out in section 10 of the Pensions Administration Strategy as follows:

Additional costs to Merseyside Pension Fund in the administration of the LGPS that are incurred as a direct result of an employer's poor performance will be recovered from the employing authority.

- 4.22 Circumstances where such additional costs will be recovered from the employing authority are as follows:

- Persistent failure to provide relevant information to the Administering Authority, scheme member or other interested party in accordance with service standards and performance measures (either as a result of timeliness, delivery or quality of information);
- Failure to pass relevant information to the Scheme member or potential members;
- Failure to deduct, and pay Merseyside Pension Fund, the correct employee and employer contributions within the stated timescales;

- Instances where the performance of the employing authority results in fines being levied against the Administering Authority by the Pension Regulator, Pensions Ombudsman or other regulatory body; and
- Additional costs incurred in providing expert 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.

4.23 Where the Merseyside Pension Fund determines cost recovery is appropriate, written notice will be given to the employing authority stating:

- a. The reasons in their opinion that the employing authority's poor performance resulted in the additional cost;
- b. The amount of the additional cost incurred;
- c. The basis on how the additional cost was calculated; and the provision within the Pension Administration Strategy relevant to the decision to give notice

#### **LATE RECEIPT OF CONTRIBUTIONS**

4.24 Regulation 42 (2) of the LGPS Regulations 2008 requires employer authorities to pay employee contributions to the Administering Authority within 19 days of the end of the month to which they relate. The Administering Authority can charge interest on late payments.

4.25. The scale of late payments is very low, and does not represent any material risk to MPF. Nevertheless, MPF does remind employers of their obligations, and will, where it is cost effective, raise charges for such late payments as permitted.

#### **RECOVERY OF ACTUARIAL COSTS**

4.26. Merseyside Pension Fund commissions work from actuaries on behalf of employers:-

- a. For work on human resources issues, such costs are initially paid by MPF, but then recovered from the employers concerned.
- b. For work to meet employers' accounting requirements, mainly the annual FRS 17 disclosure exercise, actuarial costs are recovered from the employers. These disclosures tend to be completed as bulk exercises. However, the standard unit charge to employers will vary according both to the year end date, with charges lowest for the most common year end of 31 March, and the amount of generic work required, e.g. completing auditors' questionnaires. In addition, there are significant initial costs incurred by the actuary, and recovered from employers, when an employer requires an FRS 17 disclosure for the first time.

## **5.0 RELEVANT RISKS**

- 5.1 The risk of additional costs falling on MPF and being passed on to all employers as a result of the failure of an individual scheme employer is mitigated by the ability to recharge these costs.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 None.

## **7.0 CONSULTATION**

- 7.1 Consultation was undertaken with all scheme employers and representatives of other stakeholders before the current Pensions Administration Strategy was approved by Pensions Committee on 17 November 2009 (Minute 70 refers).

## **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 8.1 None arising from this report.

## **9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

- 9.1 The income derived from the activities set out above reduces the amount recharged to scheme employers through the contribution rate and seeks to recover specific costs which are attributable to individual members or employers.

## **10.0 LEGAL IMPLICATIONS**

- 10.1 None arising from this report.

## **11.0 EQUALITIES IMPLICATIONS**

- 11.1 None arising from this report.

- 11.2 Equality Impact Assessment (EIA)

(a) Is an EIA required? No

## **12.0 CARBON REDUCTION IMPLICATIONS**

- 12.1 None arising from this report.

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

- 13.1 None arising from this report.

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## **APPENDICES**

Appendix 1 - Charging Schedule

## **REFERENCE MATERIAL**

Pensions Administration Strategy – November 2009.

Details of charges for divorce work recommended by the NAPF and those made by other pension funds

## **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>
<b>Pensions Committee – Pensions Administration Strategy</b>	<b>17 November 2009</b>



## APPENDIX 1 - Proposed charging schedule - 29 March 2011

Subject	Details of Charges
<p><b>Pensions Sharing on Divorce</b></p> <p>Provision of additional cash equivalent valuation estimate.</p> <p>Implementation of Pensions Sharing Order</p>	<p>£150 plus VAT</p> <p>£500 plus VAT</p>
<p><b>Training courses provided for scheme employers</b></p> <p>Course fee including administration costs and resources</p> <p><u>Cancellation charges</u></p> <p>Notice between 15 - 28 days of delivery date</p> <p>Notice within 14 days or less of delivery date</p> <p><b>MPF Hosted Courses</b></p> <p>Individual delegate fee</p> <p>(A maximum of 8 delegates from an individual employer £400 in total with no additional charge for additional delegates from that employer).</p> <p><u>Cancellation charges</u></p> <p>Notice between 15 - 28 days of delivery date</p> <p>Notice within 14 days or less of delivery date</p>	<p>£250 per day</p> <p>£55</p> <p>£250</p> <p>£50</p> <p>£25</p> <p>£50</p>
<p><b>Additional costs falling on MPF as a result of employers failure to carry out responsibilities</b></p> <p>Actual additional costs incurred will be recovered.</p>	<p>As set out in the <b>Pensions Administration Strategy</b></p>
<p><b>Pensions Administration Services to Merseyside Fire &amp; Rescue Authority</b></p>	<p>Recovery of agreed costs as set out in the Service Level Agreement dated 5 July 2006.</p>