

# Pension Administration Strategy Consultation Responses



Merseyside Pension Fund consulted with participating employers on an updated Pensions Administration Strategy from **3 August – 2 October 2017**.

The Fund would like to thank those employers who took the opportunity to respond:

Liverpool City Council  
Knowsley Council  
Wirral Council  
Liverpool John Moores University  
Local Government Association  
Shared Education Services  
Arvato CRM Solutions

## Q1

*A number of respondents asked about the Fund's strategy towards monthly submissions of payroll data (such as the Teachers Scheme) in order to remove the requirement for new starters, amendments and non-retiring leavers.*

## Fund Response

The current priority for the Fund is to work with constituent employers in regard data reconciliations and to agree a baseline of data completeness and quality.

As data quality improves over the coming three year time period, the Fund will work with volunteer, large employers in developing a suitable monthly data collection specification that will cover the vagaries of LGPS membership e.g. multiple jobs, honorariums, casual employments.

## Q2

*A number of respondents fed back that the deadline for submission of year-end data of 30 April is challenging and has the danger of employers submitting incomplete data as year-end-processes in payroll are still being actioned. It was also suggested that because of bank holidays during that period, a date during May would be beneficial.*

## Fund Response

The Fund has considered the comments and feedback from employers and will revise the deadline from 30 April to "the end of business on the second Friday within the month of May"

### Q3

*We object to having to pay for pension estimates as we have no choice but to refer all such requests to the Fund.*

#### Fund Response

Narrative on page 17 was unclear in specifying that a retirement estimate would still be provided by the Fund on request free of charge – however, additional estimates within 12 months of initial provision would be chargeable. The wording will be changed to avoid any potential confusion with the production of Annual Benefit Statements produced in arrears for individual members.

We apologise for any ambiguity in the consultation draft.

### Q4

*We would like to understand what is meant by ‘persistent’, could something be included to provide clarity on the definition of this term?*

#### Fund Response

In regards the Escalation Policy, the Fund simply defines ‘persistent’ as being an on-going failure to engage with the Fund and address any previously identified issues raised by the Fund in regards administration and/or data quality.

The Fund will have already notified the employer of identified issues and offered appropriate support; it will only invoke the escalation policy where an employer does not either engage or provide resources to address the issues in a timely manner.

### Q5

*Would it be possible to provide us with a periodic report which shows employer costs in the event of an early release for voluntary retirement?*

#### Fund Response

The Fund can provide employers with a ‘bulk estimate’ of retirement benefits and associated employer strain costs on request. For accuracy purposes updated pay details including pay to date, hour changes and a consistent ‘reason for leaving’ is required from the employer - for these reasons we cannot provide periodic versions of the report. The PAS has been updated to cover ‘bulk estimates’ for specific workforce management exercises.

### Q6

*Returning an accurate LGP40 by the 30th April is not achievable given that it requires lots of checking and payroll teams are unable to commence this process until all end of year processes have been finalised. We would suggest that penalties should not ‘kick in’ until 1st June.*

#### Fund Response

The deadline for annual return submission has, following feedback, been revised to the end of business on the second Friday within the month of May.

Penalty charges will be made for non-submission of a complete and validated return (which includes a signed LGP40) by the deadline date or by not re-submitting a revised return within two weeks of the Fund notifying the employer of identified systematic issues with the data.

## Q7

*It is unrealistic to expect organisations to always be able to submit estimates 4 months prior to the retirement date. Decisions about early retirement cannot always be made that far ahead.*

*Would there be a penalty if the organisation requested an estimate 2 months prior to the retirement date?*

*What is the earliest an organisation can submit an estimate request?*

## Fund Response

There would not be a financial penalty for submission of an estimate within four months of the retirement date. In acknowledging that there are circumstances where the four month target is not practical the PAS will be amended to provide discretion to the Fund Service Area Manager to agree alternative arrangements on an ad-hoc basis.

Each employer's performance against the targets within the PAS will be monitored and reported to the Pension Board – any ad-hoc discretion exercised by the Fund will be recorded and noted.

## Q8

*What happens when MPF don't meet their targets? Is the organisation compensated and if so by how much?*

## Fund Response

The Local Pension Board monitors and scrutinises the performance of the administration section – reporting to employers and Pensions Committee as appropriate.

In areas of significant under-performance and non-compliance by the Fund, the Local Pension Board is obligated to report any material breach to the Pensions Regulator. If the Fund's action/inaction results in an employer breaching the targets within the PAS, then no charge would be made and this event reported to the next Local Pension Board as being a Fund failure.

As the cost of administering the Fund is spread across the entire employer base, any compensation paid from the Fund would essentially be a cost to all employers – therefore, it is not financially prudent to introduce a mechanism to compensate employers.

## Q9

*Can you confirm that schools converting to Academy status will be charged £2,000? Will Academies be invoiced directly or will this be via the payroll provider?*

## Fund Response

The school will be invoiced directly for the standard administrative change of £2,000 upon conversion to Academy status. However, the Fund retains the discretion to increase the standard charge where additional resources from the norm are required, and only following dialogue with the school.

## Q10

*Will MPF charge for the [practitioner] training? If so what will the charges be?*

### Fund Response

In general, the Fund will not charge for practitioner training hosted at its Liverpool office.

However, if an employer is making significant demands then some element of resource recovery may be made. For instance, large teams of staff requiring multiple sessions and repeat sessions for the same staff members.

## Q11

*Although 15 working days for resolution of year-end queries is tight, but acceptable, the sentence “or where timeframe is less than 15 working days by 15 July” is not – what happens if the Fund submits all queries on 14 July? It is not reasonable to expect an immediate response – particularly if the queries should have been dealt with at earlier scheme year ends.*

*We suggest the Fund completes a “data cleanse” exercise ahead of introducing charges and provides for a minimum of 5 working days to respond to year end queries – where the query relates to the last year end (longer for “old” queries).*

### Fund Response

The Fund must send queries to employers within 30 days of receipt of the annual return which will result in the Fund issuing queries no later than the middle of June for compliant employers.

In circumstances where an employer submits a late annual return and the Fund can only query within the month of July, the timescales may be shorter than 15 days, as advised by the Fund.

The PAS has been amended to clarify that the timescale will only be less than 15 days for employers who submit late returns.

The Fund will undertake a data reconciliation programme pre and post the annual return exercise to improve data quality and assist employers in mitigating any potential financial penalty.

## Q12

*Provision of Membership Form LGP2 to new joiners – we suggest the Fund is better placed to issue these forms once you have uploaded the new starter data to Altair (as is already the case?)*

*If we issue them to new staff before Altair is updated it can lead to queries about start dates from the Fund where the member submits the form promptly. In addition, as employers already issue a number of documents to new starters a pension form can be easily overlooked by the new recruit whereby a separate communication from the pension fund is less likely to be overlooked and would actually be welcomed by the member. It also establishes a relationship between the member and the Fund and so will assist future communications between yourselves and the member.*

### Fund Response

Employers should direct new members to the Pension Fund's member website to access the digital starter pack (<http://mpfmembers.org.uk/tags/information-about-lgps-new-members>)

This includes important information about the Scheme along with various forms for submission.

The LGP1 new starter form is generally the first notification to the Fund of a new member.

Where members submit the LGP2 form ahead of the Fund receiving the new starter from an employer, the Fund is required to request the new starter information to allow the creation of the member record and commence engagement with the new member.

As the transfer of previous pension rights into the LGPS is a key benefit and is time limited, it is in the members' interest to receive the LGP2 membership form at the earliest opportunity. There is evidence to support that it is a useful control for identifying missing starter forms from employers outside of the targets outlined in the PAS. Consequently, employers are required to direct new members to the LGP2 in the digital starter pack.

## Q13

*In relation to reporting employers to the Pensions Regulator for unsatisfactory performance, obviously there will be clear communications from the Fund highlighting any problem areas long before that point is reached. Clear key performance indicators (for both employers and the Fund) and a clear definition of how underperformance will be measured / quantified will be required.*

*However, queries from the Fund also need to be submitted in a timely manner to employers e.g. a Fund query in relation to an LGP1a issued 3 weeks after a member's retirement date is too long, leading to instances of members' retirement benefits not being settled until 3 to 4 weeks after the date of retirement.*

### Fund Response

There are a number of measures outlined in the PAS Escalation Policy in regard to engagement with employers before the final sanction of reporting non-compliance to the Pensions Regulator.

Prior to invoking the escalation policy, the Fund will have documented and communicated with an employer the identified under-performance. The escalation policy will be invoked only where an employer does not either engage or provide resources to address the issues in a timely manner.

The Local Pension Board will monitor and scrutinise the performance of both employers and the administration section in accordance with the PAS – reporting to employers and Pensions Committee as appropriate.

Although the LGP1a is a key document to instigate the retirement process, before commencement of the 7 day performance target the Fund must be in receipt of all documents and options from the member, including where relevant the receipt of any AVC Funds.

## Q14

*Pension sharing orders – is £500 a “standard” charge for any sharing order to be implemented or only if the employer does not provide information promptly? Surely this cannot be a separate employer charge for all pension sharing orders?*

### Fund Response

The Pension Sharing charge is standard and levied against the member and not the employer. The employer is required to submit information to enable the Fund to undertake the calculation.

The PAS has been amended to highlight this is a member charge.

## Q15

*Additional CETV calculation changes / information to 3rd parties are charges to be borne by the member and not the employer as; again, we have no influence over these areas. Before a CETV is issued it must be made clear to the member that only one will be supplied in the 12 month period and the member will be charged for subsequent requests.*

### Fund Response

The charge is payable by the member and each member is informed that further requests for a CETV quotation within a 12 month period will incur a charge of £180 (inc. VAT) per quotation.

The PAS has been amended to highlight this is a member charge.

## Q16

*Refer active members asking for benefit illustrations to the employer. Please do not just provide the illustration to the member and then send the invoice to us.*

### Fund Response

In order to produce an accurate Retirement Estimate, the employer must provide up-to-date pay details, so the Fund always directs members to request a retirement estimate via the employer. Consequently, the Fund will not be levying a charge to members.

The Fund will amend the PAS to make clear that the charges for multiple retirement estimates is an employer only charge. Following feedback during the consultation the Fund has amended the charging schedule to the following:

An employer request for multiple benefit estimates for a member within a 12 month period e.g. for a variety of reasons for leaving or potential retirement dates

This excludes estimates provided via a bulk exercise

**The Fund will provide an estimate for a single date and reason for leaving free of charge**

**£100 + VAT for each individual item requested**

**Q17**

*For deferred members - provide illustrations in line with the statutory rights of the member but don't supply quotations and then send us an invoice after the event.*

**Fund Response**

The Fund provides all deferred members with an annual benefit statement and under the Disclosure Regulations a deferred member has the right to request a further value of benefits within a 12 month period. The Fund will only engage with employers in situations where a member request early release on employer consent or on ill-health- there are no administration charges attributed to this area of work.

**Q18**

*The strategy needs more information in relation to warnings before imposing penalties.*

**Fund Response**

The Funds preferred route to resolution in regard of data gaps is to support and work closely with employers. We can provide assurance that the employer's Pension Liaison Officer will receive notice and opportunities to correct the issue before invoking the Escalation Policy.

Any penalty will only be as a result of persistent failure following attempts by the Fund to notify and rectify the issue in collaboration with employer.

**Q19**

*Where the employee requests information I assume no charge is made to them? I also assume that an employee cannot make a request that would result in a charge to the employer?*

**Fund Response**

The Fund will amend the PAS to make clear to whom the charges will be levied for additional administrative tasks. There is no-member led request that will result in a charge being levied against an employer without prior knowledge and consent from the employer.

**Q20**

*Where have the charges come from and on what basis? A lot seem to be £100 but based on what?*

**Fund Response**

The objective of the charging policy is to reduce disproportionate allocation of Fund resource to an individual employer and to ensure the Fund meets its statutory requirements.

A number of the charges are nominal in their determination in order to demonstrate that the Fund is a non-profit making entity with a finite resource - akin to all public sector bodies dealing with statutory duties we must provide an equitable and cost effective service across the employer base.

The charges will be monitored in their application as to the impact on employer behaviour and effect on Fund resource costs; where necessary the amount will be reviewed and any revisions to charges consulted upon before implementation.

## Q21

*Charge for errors of over 5% in year end submission. Quite often instructions are not clear which can lead to errors due to misinterpretation. Merseyside need to provide clear guidance and provide plenty of notice of requirements (quite often it is provided with very little notice).*

### Fund Response

The guidance notes for the year end submission are sent out during January and there is opportunity for employers to ask questions and seek clarification. The Fund agrees that there was significant change to the year-end contribution return process in 2015, following the introduction of the Career Average Scheme and the specification was shared in November 2014 for consultation. The specification has varied little in subsequent years and we would hope that the guidance notes have improved following helpful suggestions from employers. Consequently, employer processes should now be clear in regards the requirements of Merseyside Pension Fund – if not we are happy to respond to any questions following issue of the year end specification and revision to any Fund Forms or electronic data files to aid clarity. Furthermore, the Fund will provide clarification and supporting documentation with regard to errors in January.

In regard the 5% error rate in resolving annual return data, charges will not be applied during the 2018/19 scheme year (1 April 2018 - 31 March 2019). This will provide opportunity for both the fund and employers to reconcile data and clarify specific requirements for the future provision of data.

## Q22

*Will we be allocated with a dedicated contact or account manager?*

### Fund Response

The Employer Compliance and Membership Managers supported by the Data Compliance & Technical Officer will be the prime contact for the provision of data, actions and resolution of queries. In relation to other matters the named officers will liaise with other Service Area Managers to open further dialogue with employers.

## Q23

*There are penalties for employers when deadlines are missed – what happens where the Fund miss their own performance indicators? I assume this becomes a complaint in which case the complaints procedure should be provided.*

### Fund Response

The Local Pension Board monitors and scrutinises the performance of the administration section – reporting to employers and Pensions Committee as appropriate.

The formal IDR process can be used to appeal against Fund performance and decisions affecting employers. There is also an internal complaint mechanism via the employer representative of the Local Pension Board and complaint received by Fund Officer is centrally recorded and responded to by the relevant service area manager. Further detail and an online form will be provided on the secure employers' website which will be available in the coming months.

## Q24

*Request for statements of retirement benefits is £100 if the employer makes more than one request per 12 month period. If we go self-service is this cost removed?*

### Fund Response

Secure online access does provide an employer with the facility to produce retirement estimates without recourse to the Fund. As there are system and resource costs associated with granting online access to employers, the Fund reserves the right to only agree access for suitably large employers and where there is a mutual benefit in managing data quality and overall administration costs.

The Fund will engage with those employers who can provide the appropriate staff resource as to the practicalities of online access. The Fund reserves the right to revoke access based on licence cost and employer performance.

## Q25

*We have some observations in regards “dates that are out of our control”*

*Employers do not always tell the Payroll & Resources administration teams, allowing enough time for these deadlines to be hit.*

***Late notification of new employees** – Within 30 days of the member’s first day of entry to the scheme*

***Late notification of employees leaving** – No later than 30 days of termination of employment*

***Fully answer queries with 15 days***

*“This will not always be practical”*

### Fund Response

Where an organisation is providing third party payroll provision it is the actual scheme employer who is accountable for the provision of scheme documentation and data.

Larger organisations are required to address any internal reporting issues that may impact on employer performance.

Participating employers are required to allocate sufficient resources to comply with the administrative requirements of the LGPS and other statutory legislation, e.g. HMRC and disclosure regulations.

## Q26

*Can we ask why the Fund would require notification of IDRPs Stage 1 Appeals?*

### Fund Response

It is a statutory requirement under regulation 75 (1) (c) of the 2013 LGPS regulations for an adjudicator to provide the Fund with written notice of decisions under the IDRPs appeal process. The information provides assurance of an employer’s compliance with the process and enables the Fund to report anonymised information to the Scheme Advisory Board.

## Q27

*On a related issue, the FRS 101 / 102 Pension Scheme Accounting figures from the Scheme Actuary did not arrive until mid-September although other Funds issue these figures much earlier. Can speed of delivery of this information also be looked at for future years?*

### Fund Response

The incumbent actuary is able to provide the schedules within a few days of receiving the investment data.

MPF would be happy to bring forward the schedule deadline for organisations; however it may result in more estimates being needed, in particular the calculation of the investment return, and share of the plan assets achieved over the year. The actuary will need to estimate these using market indices for a longer period than is currently the case. Employers will need to agree that the 'estimation' is acceptable with their auditor and alert the Fund of an earlier response deadline.

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