



STRATHCLYDE

Strathclyde Pension Fund  
Pension Administration Strategy  
Effective: 1<sup>st</sup> April 2020

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## **1 Introduction**

### **1.1 Strathclyde Pension Fund (SPF)**

Glasgow City Council is the administering authority for the Local Government Pension Scheme (LGPS) in the west of Scotland. To fulfil this role the Council has established and maintains the Strathclyde Pension Fund. Administration of LGPS benefits for members of the Fund is carried out by the Strathclyde Pension Fund Office (SPFO).

### **1.2 Strathclyde Pension Fund Office (SPFO)**

SPFO:

- is a division of Glasgow City Council's Financial Services Department and
- administers the Scheme on behalf of around 170 employers and over 240,000 members.

### **1.3 The Local Government Pension Scheme (LGPS)**

The LGPS is a statutory scheme established under primary legislation – the Superannuation Act 1972 and Public Service Pensions Act 2013. The scheme rules take the form of a series of regulations – the Local Government Pension Scheme (Scotland) Regulations. The regulations are Scottish Statutory Instruments (SSIs).

The scheme benefits are set out in the Local Government Pension Scheme (Scotland) Regulations 2018 which are available here:

<http://www.scotlgpsregs.org/schemeregs/lgpsregs2018/timeline.php>

This strategy has been produced in accordance with regulation 57.

## **2 Aims and Objectives**

### **2.1 Objectives of the Pension Administration Strategy (PAS)**

The PAS aims to ensure that:

- a high quality pension service is delivered to all scheme members
- pension benefits are paid accurately and on time
- successful working partnership develops between SPF and its employers
- performance standards are understood and achieved and
- performance and service delivery comply with the LGPS regulations, other related legislation and The Pensions Regulator's Code of Practice.

### **2.2 Achieving the Objectives**

There are five key elements necessary to achieving the PAS objectives:

- clear roles and responsibilities
- performance and service standards
- good member data
- engagement and communication
- appropriate resource

The strategic approach to each of these is described below.

### **3 Strategic Approach**

#### **3.1 Roles and Responsibilities**

The scheme regulations and associated legislation set out the respective responsibilities of the administering authority and scheme employers. These are summarised in Appendix 1.

All parties need to understand and adhere to these to ensure that the PAS objectives are achieved.

#### **3.2 Performance and Service Standards**

Required service standards and key performance indicators for scheme employers and SPFO are set out in Appendix 2.

These are based on statutory timescales where applicable and have been formulated to ensure that the PAS objectives are achieved.

#### **3.3 Member Data**

Member data underpins all aspects of scheme administration. It is the basis for:

- annual benefit statements and other member communications
- all individual pension calculations
- bulk calculations for actuarial and accounting (FRS102/IAS19) purposes.

Given SPFO's increasing use of digital delivery for communications and administration, it is essential that employers provide accurate, complete and up-to-date information.

Accurate member data is also considered a priority by the Pensions Regulator and SPFO is required to report annually to TPR on data quality.

Data quality has improved gradually over the years but there is still considerable room for further improvement. To this end, and in line with TPR guidance, SPFO has created a Data Improvement Plan. The plan has a timeline of four years but has been broken down into phases. The timelines clearly set out key milestones, reporting and decision points.

A summary of the Data Improvement Plan is included at Appendix 3.

The plan will be reviewed annually and key milestones for the coming year will be clarified and included in SPFO's annual business plan.

#### **3.4 Engagement and Communication**

In accordance with the scheme regulations, SPFO has a separate Communications Policy which sets out how everyone with any interest in the Fund will have ready access to all the information they need. In the context of the Pension Administration Strategy, the most important aspects of this are Employer Engagement, Member Communications, and Digital Delivery. SPFO's approach to each of these is summarised in Appendix 4.

### **3.5 Appropriate Resource**

Delivery of the PAS objectives requires both employers and SPFO to resource their operations with adequate numbers of staff with suitable knowledge and skills. SPFO resource is reviewed annually in the Business Plan which is approved by the SPF committee. A revised staffing structure was agreed for implementation during 2020/21. This is illustrated in Appendix 5.

### **4 Monitoring and Reporting**

Performance and service standards will be monitored on an ongoing basis. A report on performance in relation to the Pension Administration Strategy will be included in the SPF annual report each year. Performance against Key Performance Indicators will be reported regularly to the Committee and Pension Board and published on the SPFO website.

### **5 Compliance**

Failure by any party to adhere to the service standards set out in this strategy can have various implications. These include: unsatisfactory service to members, inaccurate information to members, inefficient processing and incorrect calculations and payments. In short, the PAS objectives will not be achieved.

In addition SPFO is required to record all breaches of the scheme regulations and report to The Pensions Regulator where a breach may be of material interest.

It is therefore essential that all parties comply with the requirements of the PAS. Where underperformance is identified SPFO will take all available steps to ensure its own compliance and enforce compliance by employers.

Compliance actions are summarised in Appendix 6.

### **6 Discretions**

SPFO and employers have various discretions under the regulations. Each is required to prepare a statement of its policy in relation to the exercise of certain discretionary functions.

SPFO's policy on the exercise of its discretions is set out in Appendix 7.

### Statutory Responsibilities – Scheme Employers

Scheme employers have the following statutory responsibilities.

- To decide the eligibility of employees to enter the Scheme.
- To determine the employee's pay (or fees) and determine the member's final pay (if required both final salary and CARE regulation definitions) to be used in the calculation of Scheme benefits.
- To determine annually the employee's contribution rate in accordance with statutory guidance produced by the Scottish Ministers and to deduct pension contributions from an employee's pay.
- To pay over and account for the deduction of these payments to Strathclyde Pension Fund.
- To notify, in writing, every person whose rights or liabilities are affected by a 'first instance decision' made by an employer under the regulations.
- To appoint a "specified person" to receive appeals from employees against first instance decisions taken by that employer.
- To notify a member, in writing, of their right of appeal and to include that notification in the documentation notifying that member of that decision against which they have a right of appeal. (SPFO will continue to issue new start documentation to members which will include such a notification for new start members).
- To supply timely and accurate information to SPFO to ensure that member records are accurately maintained and that the calculation of member benefits from the Scheme is accurate.
- To deduct the specified amounts of AVC contributions from the member's pay and to pay those amounts timeously to the in house AVC provider.
- To issue a certificate of protection to a scheme member when requested to do so where there has been a material reduction or restriction in that member's pay in circumstances outwith the member's control. Where such a certificate is issued the employer is required to keep a record of the member's pays for a period of 10 years from the effective date of the certificate.
- To use an independent Medical Officer qualified in Occupational Health medicine as specified in the regulations, who has been approved by the Fund, for the purpose of determining a member's eligibility for ill health retirement.
- To decide which benefit a member is entitled to on ceasing Scheme membership.
- To ensure compliance with the General Data Protection Regulation.

### Statutory Responsibilities – SPFO

The administering authority has the following statutory responsibilities.

- To maintain the Pension Fund.
- To invest pension contributions received and account for and manage the Fund's assets.
- To open and maintain one or more pension accounts for each member of the Scheme.
- To formulate and publish a policy on the exercise of its discretions under the LGPS regulations.
- To prepare, maintain and publish a written statement of policy concerning communications with members and Scheme employers.
- To decide how any previous service or 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 of their decisions regarding the counting of service.
- To decide the amount of benefit payable to a member based on the member's record, and the termination and pay details provided by the Employer when an employee ceases employment.
- To close pension accounts of deceased members and supply beneficiaries with notifications of their entitlements including the method of calculations.
- To appoint a suitable person for the purposes of the Scheme's internal dispute resolution procedure.
- To increase pensions annually in accordance with the provisions of Pensions Increase Acts and Orders.
- To produce and dispatch annual pension benefit statements to each of its active, deferred and pension credit members.
- To obtain an actuarial valuation of assets and liabilities triennially.
- To ensure that sufficient information is issued in the form of newsletters, booklets and other materials to satisfy the requirements of the Occupational Pension Schemes (Disclosure of Information) Regulations 2013.
- To ensure that steps are taken at all times to pay benefits to appropriate beneficiaries only and to reduce the possibility of fraud.
- To appoint an Additional Voluntary Contributions provider.
- To ensure compliance with the General Data Protection Regulation.

## Performance and Service Standards – Scheme Employers

PROCESS	INFORMATION/ACTION REQUIRED	TARGET
<b>Policies</b>		
<b>Compliance Certificate</b>	Employer must forward compliance certificate duly signed by their chief finance officer or equivalent.	On admission to Fund, within <b>30 days</b> of a change and with year-end submission.
<b>Authorised Signatories</b>	Provide specimen signature of nominated authorised signatories for approval of retirement forms.	On admission to Fund or within <b>30 days</b> of a change.
<b>Internal Dispute Resolution Process (IDRP)</b>	Nominate a person to consider disputes under stage 1 and provide full up to date contact details to SPFO.	On admission to Fund or within <b>30 days</b> of a change.
<b>Employer Discretion Policy</b>	Formulate, publish and keep under review, policies in relation to all areas where an employer discretion may be exercised. Forward policy document to SPFO.	On admission to the Fund or within <b>30 days</b> of a change in policy.
<b>Contributions</b>		
<b>Employee Contribution Rate</b>	Determine and deduct the correct % contribution rate.	At the commencement of LGPS membership and at the commencement of <b>each scheme year</b> .
<b>Employer Contribution Rate</b>	Changes to employer contribution rate as instructed by the Fund actuary.	At the commencement of Fund membership and at the commencement of <b>each scheme year</b> as per the Rates & Adjustment certificate to the latest actuarial valuation.
<b>Deduction and Remittance of Employer and Employee Monthly Pension Contributions</b>	Payment and accompanying proforma breakdown report detailing the employee, employer and (if applicable) added years/ ARCS/ APC's/ 50:50 contributions.  Preferred methods of payment is BACS.	Payment and breakdown report received by the SPF by the <b>19<sup>th</sup> of the month</b> following deductions.

## Performance and Service Standards – Scheme Employers

PROCESS	INFORMATION/ACTION REQUIRED	TARGET
<b>Additional Voluntary Contributions</b>	Deduct and pay to Prudential AVCs in accordance with the member's instructions	Direct payment to Prudential by the <b>19<sup>th</sup> of the month</b> following that in which they were deducted. Ensure that the final payment of AVC deductions is made <b>before the member's retirement date.</b>
<b>Strain on the Fund payments</b>	Payment as agreed during early retiral process.	<b>On receipt</b> of invoice from SPFO or in line with agreed payment arrangement.
<b>Compensatory Added Years</b>	Payment to SPFO of any amounts paid by SPFO on behalf of the scheme employer under the Discretionary and Injury Payments Regulations.	Monthly <b>pre-payment by 15<sup>th</sup> of month</b> in accordance with payment schedule issued by SPF.
<b>Member Events</b>		
<b>New Starts</b>	New start data must be submitted electronically via i-Connect. (Or, for employers not yet using i-Connect, the appropriate spreadsheet available from the SPFO website. Unique identifiers must be supplied for each employment.	Electronic submissions must be forwarded in the <b>month following the member's date of entry</b> to the scheme.
<b>Changes in circumstances/breaks in membership</b>	All changes in circumstances /breaks must be submitted electronically via i-Connect or spreadsheet.  <b>Changes:-</b> Hours Name Address 50/50 Opt out  <b>Breaks:-</b> trade union unpaid leave	Electronic submissions must be forwarded in the <b>month following the date of change.</b>
<b>Transfers between Scheme Employers</b>	S11A form must be completed and forwarded to SPFO.	Within <b>one month</b> of the transfer.

## Performance and Service Standards – Scheme Employers

PROCESS	INFORMATION/ACTION REQUIRED	TARGET
<b>Early Leavers</b>	For those using i-Connect the submission will capture the leaver. SPFO may request supplementary pay information if required. For other employers, S11 form must be completed when a member leaves the scheme without immediate payment of benefits.	S11 leavers form or i-Connect submission should be completed within <b>one month</b> of leaving the Fund.
<b>Retirement Estimates</b>	Employers should use Employer Self Service (ESS) to calculate all estimates with the exception of members who have an AVC contract or have been granted a Certificate of Protection. Other requests must be made using the request for retirement calculations form from the website. See appendix 7 For SPF Retirement Estimate Policy.	Requests must be made at least <b>3 months</b> prior to retirement date.
<b>Retirement Estimates (Bulk)</b>	Bulk estimates are those for twenty members or more. All dates and enhancements must be the same. Employers should engage with SPF in the first instance.	<b>3 months'</b> notice.
<b>Retirement</b>	Appropriate retirement form must be returned to SPFO with HMRC declaration form and commutation election form.	<b>2 months</b> prior to retirement.
<b>Death in Service</b>	When a member dies in services the employer must obtain all the relevant information including the required certificates and forward these with the S8 form to SPFO.	<b>As soon as possible</b> to avoid delays in payment.

## Performance and Service Standards – Scheme Employers

PROCESS	INFORMATION/ACTION REQUIRED	TARGET
<b>Year End</b>		
<b>Year End Data</b>	Electronic submissions for year-end must be completed using SPFO templates. These are issued in February of the reporting year. For those using i-Connect, only files 3 and 4 of these templates need to be completed.	All accurate files must be submitted by the <b>deadline date</b> advised when templates are issued.
<b>Responding to year end queries</b>	Data queries relating to missing or mismatched data from year end returns will be issued to employers for resolution.	Within <b>3 weeks</b> of the queries being forwarded and no later than <b>31<sup>st</sup> July</b> that year to allow sufficient time for records to be updated for issuing Annual Benefit Statements.
<b>Responding to actuarial valuation queries</b>	Data queries relating to missing or mismatched data from valuation data will be issued to employers for resolution.	Within <b>2 weeks</b> of the queries being forwarded in the valuation year. In a pre-valuation year both parties will agree a timescale
<b>Employer Events</b>		
<b>Structural changes</b>	Employers are required to notify SPF of any structural changes (e.g. large changes in membership; bulk transfers; merger; acquisition; change of corporate status; closure to new members; cessation of activities).	As far as possible, <b>before any change</b> occurs.

## Performance and Service Standards – SPFO

Process	Description	Target Days	Target %
<b>New Starts</b>	Processing of new scheme members	<b>15</b>	<b>95%</b>
<b>Refunds</b>	Processing and payment of refund in receipt of members election to a refund of contributions	<b>7</b>	<b>90%</b>
<b>Deferred Members</b>	Calculation of future retirement benefits for early leavers from scheme who don't have immediate access to benefits	<b>20</b>	<b>90%</b>
<b>Retirals</b>	Quotation of expected retiral benefits on member's retirement	<b>20</b>	<b>80%</b>
<b>Pension Payroll</b>	Pay all pensioners on 15th of the month or previous working day where 15th is not a business day.		<b>100%</b>
<b>New Retirals</b>	Where the required 2 month notice period has been observed, first pension payment will be the 15th of the month after the month of retiral.		<b>95%</b>
<b>Retirement Lump sums</b>	Lump sums paid on first day of retirement where the required 2 month notice period has been observed.		<b>95%</b>
<b>Contributions Income</b>	Contribution income received from employers by 19th of the month following deduction		<b>100%</b>

Summary Data Improvement Plan

Objective	Method/Action	Outcome	Timescale
<p><b>Improve Data Scores</b> Address data issues identified:</p> <p>Data Quality Service (DQS) reports</p> <p>Year-end data</p> <p>Missing addresses</p>	<ul style="list-style-type: none"> <li>• Cleanse common data records</li> <li>• Cleanse scheme specific data records</li>   <li>• Mismatches – identify cause and liaise with employers to rectify</li> <li>• Missing data – report instances to employers and work with them to cleanse records monitoring progress regularly</li> <li>• Implement data improvement plan for individual employers</li>   <li>• Use address tracing agency reports to carry out postal verification exercise and update records on system</li> </ul>	<ul style="list-style-type: none"> <li>• Improved DQS data scores</li>   <li>• More member communications issued accurately and on time</li> <li>• Service improvement – reduction in turnaround times</li>   <li>• More members comms issued on time and benefits paid on time</li> </ul>	<ul style="list-style-type: none"> <li>• Annually</li>   <li>• Annually</li> <li>• As and when required by employer performance</li>   <li>• Phase 1 (traced deferred members) March 2020</li> <li>• Phase 2 (unverified deferred members) March 2021</li> </ul>

Summary Data Improvement Plan

<p><b>Improve Employer Performance</b></p> <p>Transactional Data</p>	<ul style="list-style-type: none"> <li>• Measure, monitor and report statistics to employers</li> <li>• Employer engagement strategy</li> <li>• Deliver tailored training</li> <li>• Employer data improvement plans</li> </ul>	<ul style="list-style-type: none"> <li>• Increase knowledge</li> <li>• Improved performance for employers and SPFO</li> </ul>	<ul style="list-style-type: none"> <li>• Monthly (Local Authorities)</li> <li>• 4 days per year</li> <li>• As above</li> </ul>
<p><b>Increase Automation/ Administration Efficiency</b></p> <p>Flow of information Digital delivery and consistency among employers</p> <p>Employer self-service (ESS)</p>	<ul style="list-style-type: none"> <li>• Implement data portal for employers</li> <li>• <b>I-connect</b> – further on-boarding of large employers</li> <li>• <b>On-Line returns</b> – further on-boarding of smaller (less than 100 members) employers</li> <li>• Provide further training to LA's</li> <li>• Develop strategy for processing provisional calculations</li> </ul>	<ul style="list-style-type: none"> <li>• Information will be more secure</li> <li>• Reduction in information going missing</li> <li>• Reduction in effort, less manual intervention</li> <li>• Improved accuracy as data is coming more frequently and direct from payroll systems</li> <li>• Getting it right first time</li> <li>• Leads to Straight Through Processing</li> <li>• Improved performance and clearing of backlogs</li> <li>• Ownership and control of data will belong to employer</li> </ul>	<ul style="list-style-type: none"> <li>• Phase 1 (Pilot) June 2020</li> <li>• Phase 2 – roll out to follow</li> <li>• March 2021</li> <li>• March 2021</li> <li>• Complete</li> <li>• June 2020</li> </ul>

Summary Data Improvement Plan

<p>SPFO Website</p>	<ul style="list-style-type: none"> <li>• Develop governance area of website to cover TPR role/requirements</li> <li>• Develop employers area of website to set out data requirements for above</li> <li>• Promote I-connect and on-line returns on website</li> <li>• Update pensions administration strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Clear objectives set for employers</li> <li>• Accountability for employers</li> </ul>	<ul style="list-style-type: none"> <li>• Intern project completed 2019</li> <li>• Implementation date to be agreed</li> <li>• March 2020</li> </ul>
<p><b>Remedial Action</b></p> <p>Prevention of further instances occurring</p>	<ul style="list-style-type: none"> <li>• Updated/documentated procedures</li> <li>• Identify system issues for remedy and feed back to Heywood</li> </ul>	<ul style="list-style-type: none"> <li>• More efficient processes</li> <li>• Improved consistency and simplified processes</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing</li> <li>• Ongoing</li> </ul>
<p><b>Improve Member Service / experience</b></p>	<ul style="list-style-type: none"> <li>• Develop new member self-service (MSS) and promote to members</li> </ul>	<ul style="list-style-type: none"> <li>• Easily accessible information</li> <li>• Accurate information</li> <li>• Reduction in processing times</li> <li>• Fewer complaints</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing – next phase to roll out with 2020 ABS</li> </ul>

## Engagement and Communication

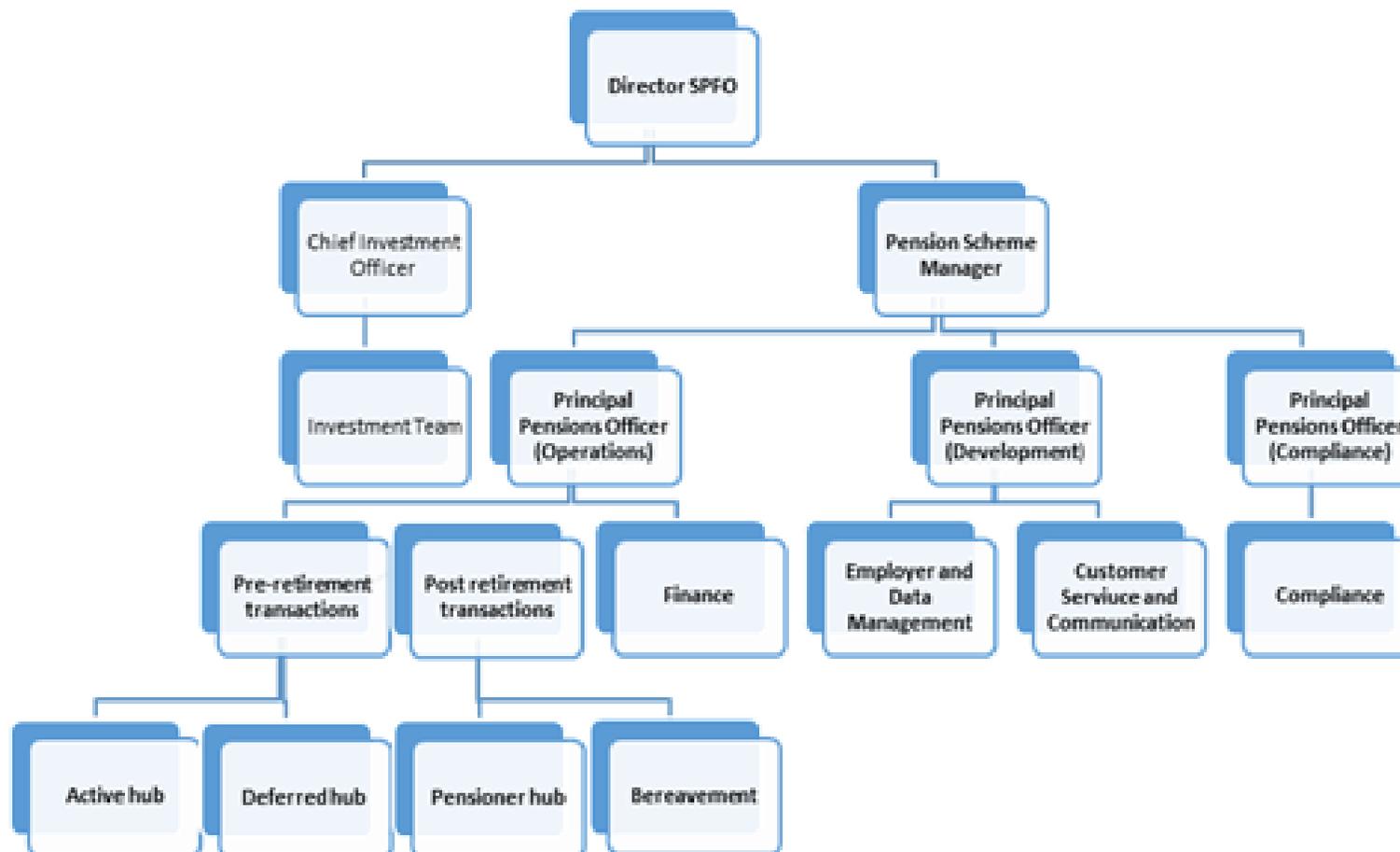
<b>PROCESS</b>	<b>TARGET</b>
<b>Employer Engagement</b>	
<b>Employer Support</b>	SPFO's Employer Engagement Manager will meet with all Local Authorities annually and other employers on request or as problem areas are identified.
<b>Employer Training</b>	SPFO is committed to delivering employer training 4 times a year in-house on specific topics requested by employers. As part of individual employer data improvement plans if training requirements have been identified SPF will deliver this in-house.
<b>Employer Forums</b>	SPF is committed to hosting quarterly Local Authority Forums and 6-monthly non Local Authority Forums
<b>Member Communications</b>	
<b>Active Member Annual Benefit Statement (ABS)</b>	To be issued by 31st August following the end of the most recent scheme year
<b>Deferred Member Annual Benefit Statement (ABS)</b>	To be issued by 31st August following the end of the most recent scheme year
<b>Pension Savings Statements</b>	To be issued by 6th October to those members who may have exceeded their annual allowance
<b>Complaints</b>	SPFO will respond to complaints within 5 working days, or 20 working days if the complaint has proceeded to stage 2
<b>Internal Disputes Resolution Procedure</b>	SPF will provide determination within 2 months
<b>Digital Delivery</b>	
<b>spfo.org.uk</b> The SPFO website features dedicated member and employer areas; a secure link to SPFOonline; links to other useful websites; FAQs; tools including a contributions calculator; news and regular updates, and contact details for SPFO.	SPFO sets annual website visits targets in its Business Plan

## Engagement and Communication

<p><b>SPFOnline</b> SPFO's secure member self-service website area. Members can:</p> <ul style="list-style-type: none"> <li>▪ View their SPFO pension record</li> <li>▪ view pension updates online</li> <li>▪ calculate benefits at a chosen retirement data</li> <li>▪ see how much pension they could exchange for extra tax free cash at retirement</li> <li>▪ update contact and nomination details</li> <li>▪ review Annual Allowance</li> </ul>	<p>SPFO sets annual member registration targets in its Business Plan</p>
<p><b>Scotlgps2015.org</b> Developed in collaboration with the other Scottish LGPS funds, this website provides full details of the LGPS 2015 career average scheme.</p>	<p>n/a</p>
<p><b>Employer Self Service (ESS)</b> SPFO's secure employer self-service website area. Allows employers to:</p> <ul style="list-style-type: none"> <li>▪ View their employees' SPFO pension records</li> <li>▪ Process provisional calculations for their employees</li> <li>▪ calculate strain on the fund costs.</li> </ul>	<p>Available to all employers from 2019. Strategic development ongoing.</p>
<p><b>i-Connect</b> <i>i-Connect</i> is SPFO's automated solution to the management of data transfer between scheme employers and SPFO. Key benefits include:</p> <ul style="list-style-type: none"> <li>▪ Automatic extract of data in correct specification</li> <li>▪ Secure transfer</li> <li>▪ Error rejection</li> <li>▪ Automatic reminders and messages</li> <li>▪ Audit trail</li> <li>▪ Pensions Regulator compliance</li> <li>▪ Absence of Year-end processes.</li> </ul>	<p>The agreed deadline for uptake by all employers is 31st March 2021.</p>

SPFO Resource

SPFO Structure



## Compliance Actions

### Recovery of Costs

Regulation 65 allows an administering authority to recover any additional costs which, in its opinion, it has incurred because of an employer's level of performance in carrying out its functions under the regulations. SPFO will recover costs under this regulation as follows.

Item	Basis of Recovery
<p><b>Late submission of Year End Data</b> All employers have a statutory requirement to provide a data return for each of their employees by 30<sup>th</sup> June each year. SPFO sets an earlier deadline in May. SPFO incurs significant extra expense in pursuing and remediating late, incorrect and incomplete returns. Late submission also puts pressure on other statutory deadlines including issue of Annual Benefit statements by 31<sup>st</sup> August and submission of data for the triennial actuarial valuation.</p>	<p><b>SPFO deadline</b></p> <ul style="list-style-type: none"> <li>▪ £1 per member record (per post) per week over SPFO's deadline for data not received.</li> <li>▪ £1 per member record (per post) per week for incomplete or incorrect data until remedied.</li> </ul> <p>A minimum of £1,000 per incidence.</p> <p><b>Statutory Deadline of 30<sup>th</sup> June</b></p> <ul style="list-style-type: none"> <li>▪ Flat rate of £1,000 plus ongoing charges detailed above continuing until receipt of actionable data.</li> </ul>
<p><b>Late submission of monthly contributions and data returns</b></p>	<p>£1,000 per incidence.</p>
<p><b>Other items</b></p>	<p>Time cost of remediation including oncosts, out-of-pocket expenses, and overtime where appropriate.</p>
<p><b>Penalties</b></p>	<p>Any penalties, fines or compensation payments imposed on the Fund by The Pensions Regulator, the Pension Ombudsman or any other party as a consequence of employer error or failure will be charged to that employer.</p>

Where SPFO determines that such additional costs should be recovered it will give written notice to the Scheme employer stating the reasons, the amount, the basis of calculation and the relevant provisions of the Pension Administration Strategy.

### Reporting to the Pensions Regulator

SPFO will record all breaches of the regulations and other legislation in accordance with its own documented procedures and with the Pensions Regulator's Code of Practice.

When the breach is considered likely to be of material significance to TPR a breach of law report will be submitted.

### Compliance Actions

In deciding whether a breach is likely to be of material significance to TPR, SPFO will consider:

- the cause of the breach;
- the effect of the breach;
- the reaction to the breach: and
- the wider Implications of the breach

The Regulator has a range of possible enforcement actions. These include:

- issuing notices that require individuals, companies or third parties to take specific action within a certain time
- recovering late or missing payments from an employer
- issuing fines for breaches of the law and
- prosecuting certain offences in the criminal courts

**SPFO Policy on Discretions**

**Table 1**

Discretions from 01.06.18. in relation to post 31.05.18. active members and post 31.05.18. Leavers, being discretions under:

1. the Local Government Pension Scheme (Scotland) Regulations 2018 [prefix R]
2. the Local Government Pension Scheme (Scotland) Regulations 2014 [prefix R2]
3. the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 [prefix TP]
4. the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 [prefix A]
5. the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (as amended) [prefix B]
6. the Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008 [prefix T]
7. the Local Government Pension Scheme (Scotland) Regulations 1998 (as amended) [prefix L]

<b>Discretion</b>	<b>Regulation</b>	<b>Policy</b>
Whether to turn down a request to pay an APC/SCAPC over a period of time where it would be impractical to allow such a request (e.g. where the sum being paid is very small and could be paid as a single payment)	<b>R ~ 16 (1)</b>	SPFO will normally accept applications but reserves the right to refuse.
Whether to require a satisfactory medical before agreeing to an application to pay an APC / SCAPC	<b>R ~ 16 (10)</b>	Applications to purchase APC/SCAPC in a form other than lump sum payment may require to be supported by a satisfactory medical arranged by SPFO. Cases will be judged on their individual merits. The cost of any medical examination will be undertaken at the member's expense.
Whether to turn down an application to pay an APC / SCAPC if not satisfied that the member is in reasonably good health.	<b>R ~ 16 (10)</b>	SPFO will turn down an application if, upon receipt of a report from a registered medical practitioner, the member

## SPFO Policy on Discretions

Discretion	Regulation	Policy
		is believed not to be in good health.
Decide to whom any AVC/SCAVC monies (including life assurance monies) are to be paid on death of the member	<b>R ~ 17 (12)</b>	Delegated to the Executive Director of Finance. To be administered within SPFO in accordance with policy guidelines.
Where a member's former Scheme employer has ceased to be a Scheme employer, whether to waive, in whole or in part, any actuarial reduction on benefits paid on flexible retirement	<b>R ~ 29 (9) and TP Sch 2, para 2 (1)</b>	SPFO will not have a general policy to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement and will only do so in exceptional circumstances.
Whether to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age, other than on the grounds of flexible retirement (where the member only has post 31/3/15 membership or a mix of pre & post 1/4/15 membership)	<b>R ~ 29 (9)</b>	SPFO will not have a general policy to waive, in whole or in part, actuarial reduction on benefits which a member voluntarily draws before normal pension age, other than on the grounds of flexible retirement (where the member only has post 31/3/15 membership or a mix of pre & post 1/4/15 membership) unless there are exceptional circumstances.
Whether to extend the time limits within which a member must give notice of the wish to draw benefits before normal pension age or upon flexible retirement	<b>R ~ 31 (8)</b>	SPFO will not extend the time limit of which a member must give notice.
Decide whether to commute small pension	<b>R ~ 33 (1)</b>	SPFO will commute small pension in accordance with the Finance Act 2004.
Approve Independent Registered Medical Practitioners (IRMP's) used by employers to	<b>R ~ 35 (3)</b>	SPFO will approve IRMP's and maintain a list of those IRMP's for use by employers to

## SPFO Policy on Discretions

Discretion	Regulation	Policy
certify eligibility for ill health benefits		certify ill health retirement.
Determine whether a deferred beneficiary meets the criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age.	<b>R ~ 36 (3)</b>	SPFO will determine whether a deferred beneficiary meets the criteria of being permanently incapable of former job because of ill health and is unlikely to be capable of undertaking gainful employment before normal pension age. Decisions will be made in conjunction with the opinion of SPFO approved IRMP.
Decide to whom death grant is paid	<b>R ~ 38 (2), R ~ 41 (2), R ~ 44 (2) &amp; TP ~ 17 (5) to (8)</b>	Delegated to the Executive Director of Finance to be administered within SPFO in accordance with policy guidelines and the scheme regulations.
Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	<b>R ~ 47 (1)(c)</b>	SPFO will choose and notify the member in writing of the provision under which the benefit is to be paid.
Whether to have a written pensions administration strategy and, if so, the matters it should include	<b>R ~ 57 (1) &amp; (2)</b>	Pensions Administration Strategy formulated and published.
Whether to require any strain on Fund costs to be paid “up front” by employing authority following payment of benefits under; <b>R ~ 29(6)</b> (early retirement before NPA) <b>R ~ 29(7)</b> (flexible retirement) or	<b>R ~ 63 (2)</b>	SPFO requires payment for Strain on the Fund costs to be made at retirement as the default position, however payments by instalments may be agreed on application to SPF by an employer.

**SPFO Policy on Discretions**

<b>Discretion</b>	<b>Regulation</b>	<b>Policy</b>
<b>R ~ 29(8)</b> , (redundancy or business efficiency)		
Decide frequency of payments to be made over to Fund by employers.	<b>R ~ 64 (1)</b>	Monthly payment and breakdown must be received by the 19th of the month following deduction. Note – SPFO will report any material late payments to The Pension Regulator.
Decide form and frequency of information to accompany payments to the Fund	<b>R ~ 64 (4)</b>	Monthly payment and accompanying proforma breakdown report detailing the employee, employer and (if applicable) added years/ARCS/APCs/50:50 contributions for the period in question.
Whether to issue employer with notice to recover additional costs incurred as a result of the employer’s level of performance	<b>R ~ 65 &amp; TP ~ 22 (2)</b>	SPFO may decide to issue an employer with notice to recover additional cost as a result of the employer’s level of performance depending on the circumstances of the individual case.
Whether to charge interest on payments by employers which are overdue	<b>R ~ 66 (1)</b>	SPFO will charge interest on payments by employers which are overdue, in line with scheme regulations.
Whether to extend six month period to lodge a stage one IDR appeal	<b>R ~ 69 (7)</b>	The appointed person may extend the time limit for such applications depending upon the merits of each application submitted.
Whether the administering authority should appeal against employer decision (or lack of a decision)	<b>R ~ 74 (2)</b>	SPFO will appeal to the Scottish Ministers where an employer fails to reach a decision.
Specify information to be supplied by employers to enable the administering authority to discharge its functions	<b>R ~ 75 (1)(b) &amp; TP ~ 22 (1)</b>	As specified in SPFO’s published Pension Administration Strategy.

## SPFO Policy on Discretions

Discretion	Regulation	Policy
		I-Connect for all employers from 1 <sup>st</sup> April 2021.
Whether to pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration where payment is less than amount specified in s6 of the Administration of Estates (Small Payments) Act 1965	<b>R ~ 77 (2)</b>	Delegated to the Executive Director of Finance to be administered within SPFO in accordance with policy guidelines.
Whether, where a person is incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person for their benefit.	<b>R ~ 81</b>	Delegated to the Executive Director of Finance to be administered within SPFO in accordance with policy guidelines.
Agree to bulk transfer payment	<b>R ~ 93 (1)(b)</b>	Agreement to bulk transfer terms will be on the basis of actuarial advice from the Fund actuary.
Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	<b>R ~ 95 (6)</b>	SPFO will refuse to accept cases of late application for a transfer of benefits into the Fund where that application is two years or more after the member's date of entry to the scheme.
Allow transfer of pension rights into the Fund	<b>R ~ 95 (7)</b>	Transfers of pension rights into the Fund will not be permitted from non-club schemes unless as a result of a TUPE transfer.
Decide to treat child as being in continuous full-time education or vocational training despite a break	<b>R ~ Sch 1 &amp; TP ~ 17 (9)(a)</b>	Delegated to the Executive Director of Finance to be administered within SPFO in accordance with policy guidelines.
Decide evidence required to determine financial dependence	<b>R ~ Sch 1 &amp; TP ~ 17(9)(b)</b>	The evidence to determine financial

## SPFO Policy on Discretions

Discretion	Regulation	Policy
of cohabiting partner of scheme member or financial dependence / interdependence of cohabiting partner and scheme member		dependence / interdependence will be assessed and agreed on a case by case basis and will include but not be restricted to items such as evidence of a joint bank account, shared utility bills, joint credit arrangements, joint mortgage arrangements etc. The ultimate decision will rest with The Executive Director of Finance.

**Table 2**

Discretions from 01.06.18. in relation to pre 01.06.18 leavers, being discretions under:

1. the Local Government Pension Scheme (Transitional Provisions and Savings) (Scotland) Regulations 2014 [prefix TP]
2. the Local Government Pension Scheme (Scotland) Regulations 2014 [prefix R2]
3. the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 [prefix A]
4. the Local Government Pension Scheme (Scotland) Regulations 1998 (as amended) [prefix L]

Discretion	Regulation	Policy
Make election on behalf of deceased member with a certificate of protection of pension benefits i.e. determine best pay figure to use in the benefit calculations (pay cuts / restrictions occurring pre 01.04.15)	TP ~ 3 (6), TP ~ 4 (6)(c), TP ~ 8 (4), TP ~ 10 (2)(a), TP ~ 17 (2)(b) & A ~ 43 (10)	SPFO will make an election on behalf of a deceased member with a certificate of protection to determine the best pay figure to use in calculations for the benefit of the beneficiaries and dependants.
Decide policy on abatement of pre 1 April 2015 element of pensions in payment following re-employment	TP ~ 3 (11), A ~ 64 (1)* & A ~ 65 (4)(c)	SPFO has determined that it will not abate pensions of pensioner members on re-employment. Pension

SPFO Policy on Discretions

Discretion	Regulation	Policy
		benefits resulting from the award of additional service to a member by an employer under the Local Government (Discretionary Payments and Injury Benefits)(Scotland) Regulations where that member has been retired on efficiency or redundancy grounds are still subject to abatement on re-employment as abatement under these provisions is not discretionary.
Decide, in the absence of an election from the member within 12 months of ceasing a concurrent employment, which ongoing employment benefits from the concurrent employment which has ceased should be aggregated with (where there is more than one ongoing employment)	<b>TP10 (9)</b>	SPFO, in the absence of an election from the member within 12 months of ceasing a concurrent employment will aggregate concurrent employments and determine which set of benefits the ceased employment should be aggregated with.
Extend time period for capitalisation of added years contract	<b>TP ~ 15 (1)(c), TP ~ Sch1 &amp; L ~ 82 (5)</b>	SPFO will not extend the time limit period of three months for capitalisation of added years contracts where the members service has terminated on grounds of efficiency/redundancy. An exception may be considered if the member was not made aware of this right on termination of employment.
Whether to require any strain on Fund costs to be paid “up front” by a Scheme employer if the Scheme employer applies the 85 year rule for a member	<b>TP ~ Sch 2, para 2(3)</b>	SPFO requires payment for Strain on the Fund costs to be made at the point of retirement as the default position, however

**SPFO Policy on Discretions**

<b>Discretion</b>	<b>Regulation</b>	<b>Policy</b>
voluntarily retiring before normal pension age (other than flexible retirement) or waives an actuarial reduction under <b>TP ~ Sch 2, para 2(1)</b> , or releases benefits under <b>B30(1)</b>		payments by instalments may be agreed on application to SPFO by an employer.

**Table 3**

**Provision of Retirement Estimates**

Wherever possible, employers should use Employer Self Service to calculate all estimates for their employees (with the exception of members that have an Additional Voluntary Contributions contract or have been awarded a Certificate of Protection).

Members should use SPFOonline to produce their own estimates.

At its discretion SPFO has limited the provision of retirement estimates as follows.

<b>Retiral Type</b>	<b>Member Request</b>	<b>Employer Request</b>	<b>Comments</b>
Redundancy	No	1 per member per annum	Multiple enhancement options to one date per annum
Efficiency	No	1 per member per annum	Multiple enhancement options to one date per annum
Ill Health	No	1 per member per annum	Tier 1 & 2 options to 1 date per annum. Serious ill-health and death in service exempt.
Option	No – self serve via SPFOonline	1 per member per annum	
Age	No – self serve via SPFOonline	1 per member per annum	
Flexible	No	1 per member per annum	

## SPFO Policy on Discretions

### SPFO Policy on Discretions – Pre June 2018

**Table 4**

Discretions in relation to scheme members who ceased active membership before 01.06.18, being discretions under:

1. the Local Government Pension Scheme (Scotland) Regulations 2014 [prefix R]
2. the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008 [prefix A]
3. the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008 (as amended) [prefix B]
4. the Local Government Pension Scheme (Transitional Provisions) (Scotland) Regulations 2008 [prefix T]
5. the Local Government Pension Scheme (Scotland) Regulations 1998 (as amended) [prefix L]

Discretion	Regulation	Policy
Any discretion under the above regulations will be exercised in line with current equivalent provisions.		

**Table 5**

Discretions under the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998 (as amended)

Discretion	Regulation	Policy
Intervals at which instalments of annual compensation are payable (paying authority may agree to pay at different intervals to that on which LGPS pension is payable)	<b>29 (1)</b>	Paid at intervals equivalent to those at which the pension is payable.
Agree to pay annual compensation on behalf of employer and recharge payments to employer	<b>31 (2)</b>	SPFO will pay pension benefits on Compensatory Added Years (CAY) awarded by an Employer. SPF will calculate and notify the employer of the lump sum element. It is the responsibility of the employer to pay the lump sum element of the CAY. Employers

**SPFO Policy on Discretions**

		<p>are required to pre fund the payment of CAY pension on a monthly basis in accordance with instructions issued by SPF. Where an employer fails to pre fund the CAY pension the additional benefits will cease until the matter is resolved.</p>
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**Table 6**

The Teachers (Compensation for Premature Retirement and Redundancy) (Scotland) Regulations 1996

<b>Discretion</b>	<b>Regulation</b>	<b>Policy</b>
<p>Agree to pay annual compensation on behalf of employer and recharge payments to employer</p>	<p>Regulation 19 (1)</p>	<p>SPFO will pay pension benefits on Teachers compensation payments on behalf of Scheme employers but not on any lump sum element. Employers are required to pre fund the payment.</p>