

# CHARGING POLICY

November 2021

Hertfordshire Pension Fund

Local Government Pension Scheme



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## 1. Introduction

The following details the Charging Policy for the Hertfordshire Pension Fund (“the Fund”) in relation to the Local Government Pension Scheme (the Scheme) which is administered by Hertfordshire County Council (the Administering Authority).

## 2. Purpose

The general administration costs of the Pension Fund are borne across all employers through their employer contribution rate.

Administration costs for bespoke work directly related to and requested by a Scheme Employer are recharged to the employer.

The purpose of this Policy is to formalise the conditions that will apply for recharging costs to employers to avoid cross subsidy by all other Scheme Employers in the Fund. The Policy provides guidance on the type of work that will incur charges. Indicative fees are available on request and Scheme Employers should contact the Fund for a quote. The work will only be commissioned once the Scheme Employer has provided written confirmation that they agree to pay the associated fees.

This Policy does not include charges in relation to the Fund’s Administration Strategy which sets out the responsibilities of Scheme Employers and the Administering Authority and the charges that apply for non-compliance. The Administration Strategy is available from the [Pension Fund's web page](#).

This Policy has been reviewed and effective from 24<sup>th</sup> November 2021.

## 3. Process

The following sets out the general process for the work that is routinely commissioned by Scheme Employers. Further details of the charges are set out in section 4. Once the work is completed then costs will be recharged by invoice and any non-payment of invoices will be pursued through the County Council's debt management procedures.

### 3.1. General Actuarial Work

Scheme Employers must make requests for work through the Hertfordshire County Council Pensions Team at:

Email: [HertsFundEmployers@hertfordshire.gov.uk](mailto:HertsFundEmployers@hertfordshire.gov.uk)  
Telephone: 01992 555625/ 01992 588023

The Pensions Team will provide a quote of estimated costs and timescales for the requested work and for review by the Scheme Employers and confirmation that the work should be progressed. Any additional work requested by the Scheme Employer that is in excess of the original quotation will incur additional charges which will be recharged to the Scheme Employer.

For the avoidance of any disputes on the recharge for actuarial work, all Scheme Employers are advised to follow this process. In the event that any work is directly commissioned with the Fund's actuary then this will be recharged to the Scheme Employer and any fee disputes will be resolved directly between the Scheme Employer and the actuary.

### 3.2. Outsourcing Services

Where a Scheme Employer is outsourcing services and this results in the TUPE transfer of staff and the admission of a new employer, then the ceding Scheme Employer and Contractor must agree the responsibility for payment of charges relating to admission. The Scheme Employer is responsible for confirming the arrangements, in writing, to the Fund.

Please contact [HertsFundEmployers@hertfordshire.gov.uk](mailto:HertsFundEmployers@hertfordshire.gov.uk) for any queries regarding outsourcing.

### 3.3. Strain Cost Estimates

Requests for strain cost estimates should be made by completion of an Employer Estimate Form. Please contact the LPPA using their secure [contact form](#).

## 4. Charges

All standard charges have been outlined in Appendix 1, however, please see further detail below.

### 4.1. General Actuarial Work

Scheme Employers will incur additional costs when they commission work that does not form part of the general cost of administering the Pension Fund.

Typical pieces of work that will incur charges are provided below:

- Bond Renewals/Reassessments
- FRS17/IAS19
- Audit Queries
- Updated Funding Position
- Impact of closing the scheme to new entrants
- Outsourcing report (impact that an outsourcing will have on the employer contribution rate)
- Bespoke Actuarial/Legal queries
- Bulk transfers in or out of the Fund or Scheme;
- Bulk transfers of employees between existing Scheme Employers.
- Cessation Valuations/Indicative Cessation Valuations

### 4.2. New Scheme Employers and Outsourcing

Scheme Employer specific costs are incurred for new employers joining the scheme or a change in status of a current scheme employer, e.g. a school converting to an academy. Typical pieces of work that will incur charges are detailed below.

- **Actuarial Fees**
  - Employer Contribution Rate Calculation – when a new scheme employer is admitted into the Fund, the actuary will calculate the employer contribution rate that is payable as a percentage of their pensionable payroll.
  - Bond Value Report – the pension fund will not admit a new scheme employer without a form of surety and often this is provided by way of a bond. Further information can be found in the Fund's [Indemnity Policy](#).
  - Initial Asset Allocation (Opening Funding Position) – all employers require an opening funding position to be calculated to ensure the actuary are able to track each employer's individual position throughout their time in the Scheme.
  - Actuarial queries – any queries that require actuarial opinion are chargeable to Scheme Employers

Please note that costs will increase if there are delays in providing data or if the information provided is incomplete or inaccurate. Additional costs will also be incurred if that data or information provided by the Scheme Employer is inaccurate resulting in recalculations or amendments.

- **Legal Fees**
  - Drafting and execution of an Admission/Bond Agreement – all new employers require an admission and bond (where applicable) agreement. This is completed by Hertfordshire County Council’s legal team and their fees are chargeable to scheme employers.
  - Legal queries
- **Administration Fees**
  - Charges due to non-adherence to [Administration Strategy](#).

### 4.3. Strain Costs

- **Early Retirement (Non Ill Health Retirements)**  
A pension strain cost may be incurred and will be payable by the Scheme Employer where a member retires early on the grounds of redundancy or business efficiency; or where the member retires early with the employer’s consent or takes flexible retirement. This reflects the additional costs to the Fund resulting from:
  - Pension benefits becoming payable earlier than assumed;
  - Pension benefits being paid for a longer period of time;
  - Employer and employee contributions being paid for a shorter period than assumed.

Early retirement strain costs are based on actuarial factors relating to a number of aspects such as the members age, sex and scheme membership.

- **Ill Health Retirements**  
The costs of ill-health early retirements for each Scheme Employer are chargeable.  
  
To manage the costs of ill health retirements, employers may benefit from pursuing external insurance from Legal & General.

### 4.4. Ceasing Employers

The Pension Fund’s policy for Scheme Employers leaving the Pension Fund is detailed in the Cessation Policy.

The Pension Fund will carry out a full cessation valuation for Scheme Employers leaving the Scheme to calculate the current surplus or deficit in relation to the Scheme Employer’s employees. These reports are recharged to the Scheme Employer.

Indicative reports to aid decision making by the Scheme Employer may also be provided and will be recharged to the Scheme Employer.

## Appendix 1

**Table of Charges for Employers**

<b>Charge</b>	<b>Amount</b>	<b>Payment due date</b>
<b>Calculation of employer contribution rates for new admitted bodies:</b>		
Fully Funded contribution rate report (open and/or closed rates)	£750	28 days from the date of invoice
Fully Funded bond and contribution rate report - bond includes all risks. Additional £500 if bond is required on an open and closed basis.	£2,000	28 days from the date of invoice
Share of deficit contribution rate report - open and/or closed rates	£750	28 days from the date of invoice
Share of deficit bond and contribution rate report - bond includes all risks. Additional £500 if bond is required on an open and closed basis.	£2,000	28 days from the date of invoice
Academy report - share of deficit calculation and initial assets and liabilities	£750	28 days from the date of invoice
<b>Initial assets and liabilities</b>		
New employer that has no opening liabilities and participates in a pool - no report produced and assumes no significant data work	£0	28 days from the date of invoice
New employer that has no opening liabilities but requires a contribution rate - assumes no significant data work	£300	28 days from the date of invoice
Initial assets and liabilities (no report provided) - assumes no significant data work	£500	28 days from the date of invoice
Initial assets and liabilities (report provided) - assumes no significant data work	£750	28 days from the date of invoice
<b>Finalising calculations for employers where estimates have been previously performed</b>		
Change in data only	£500	28 days from the date of invoice
Change in assumptions only	£500	28 days from the date of invoice
Change in data and assumptions with updated report (includes change in conversion date)	£750	28 days from the date of invoice



<b>Bonds</b>		
Redundancy bond	£0	28 days from the date of invoice
Market related risk bond	£250	28 days from the date of invoice
Redundancy and market related risk bond	£250	28 days from the date of invoice

<b>Bond renewals</b>		
Redundancy bond	£0	28 days from the date of invoice
Market related risk bond	£1,750	28 days from the date of invoice
Redundancy and market related risk bond	£1,750	28 days from the date of invoice

<b>Employer funding updates</b>		
Rollforward (indicative)	£350	28 days from the date of invoice
Full valuation (indicative and final assessments) - assumes no significant data work	£3,500	28 days from the date of invoice

<b>Whole Fund Funding Updates</b>		
Quarterly Navigator report	£1,250	28 days from the date of invoice

<b>Cessation valuations</b>		
Rollforward (indicative)	£350	28 days from the date of invoice
Full valuation (indicative and final assessments) - assumes data is clean	£1,750	28 days from the date of invoice

<b>FRS17/IAS19 reports</b>		
Standard 12-month report - includes single employers, new employer first time reports and all batch sizes	£400	28 days from the date of invoice
New employer (opening position still to be calculated)	£900	28 days from the date of invoice
Merging employers -£200 per employer if not pooled at the last formal valuation	£200	28 days from the date of invoice
Bespoke mortality (proxy using annuities) - if requested before the accounting end date and as part of the batch	£500	28 days from the date of invoice
allowing for bulk transfer	£750	28 days from the date of invoice
Early delivery of report - If requested a week before the standard timescales. Earlier dates may incur costs greater than £500.	£500	28 days from the date of invoice
IAS26 report	£1,000	28 days from the date of invoice

Providing annual statement of actuarial information for annual report and accounts Response to standard auditors' letters re FRS17/IAS19 reporting for an employer or group of employers - single auditors letter for all employers. The free letter will be the first one requested each calendar year. Any letter there after which asks different questions will incur a £350 cost	£250	28 days from the date of invoice
	£0	28 days from the date of invoice

<b>Individual calculations</b>		
Capital value of unpaid additional contributions	£500	28 days from the date of invoice
Recovery or retention where former member has misconduct obligation	£750	28 days from the date of invoice

## Contact Us

If you have any queries regarding this policy document please don't hesitate to contact the Fund from the contact details provided below:

Email – [HertsFundEmployers@hertfordshire.gov.uk](mailto:HertsFundEmployers@hertfordshire.gov.uk)  
Telephone - 01992 555625/ 01992 588023