

CHARGING POLICY

February 2023

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 24th 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

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 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.
 - 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

Charge	Amount	Payment due date
Calculation of employer contribution rates for new admitted bodies:		
Contribution rate Assumes results shown on one basis (open or closed) and one funding level (share of deficit or fully funded).	£850	28 days from the date of invoice
Indemnity and contribution rate Indemnity (bond) includes all risks. Assumes results shown on one basis (open or closed) and one funding level (share of deficit/ fully funded)	£2,268	28 days from the date of invoice
Other outsourcing calculations	Available on request	28 days from the date of invoice
Optional Additional Charges:		
Showing results on additional basis (fully funded, share of deficit, share of deficit assuming deferred and pensioners are fully funded)	£567	28 days from the date of invoice
Showing additional results on open or closed basis	£567	28 days from the date of invoice
Calculation of employer contribution rates for new academies:		
Academy opening position Share of deficit (assuming deferred and pensioners are fully funded) calculation and initial assets and liabilities.	£850	28 days from the date of invoice

Other employer calculations:		
New employer that has no opening liabilities and participates in a pool	£0	Not invoiced
New employer that has no opening liabilities but requires a contribution rate	£340	28 days from the date of invoice
Initial assets and liabilities	£567	28 days from the date of invoice
Finalising calculations for employers where estimates have been previously performed:		
Change in data only	£567	28 days from the date of invoice
Change in assumptions only	£567	28 days from the date of invoice
Change in data and assumptions with updated report (includes change in conversion date)	£850	28 days from the date of invoice
Bonds:		
Redundancy bond	£0	Not Invoiced
Market related risk bond	£283	28 days from the date of invoice
Redundancy and market related risk bond	£283	28 days from the date of invoice
Bond Renewals:		
Redundancy bond	£567	28 days from the date of invoice
Market related risk bond	£1,984	28 days from the date of invoice
Redundancy and market related risk bond	£1,984	28 days from the date of invoice

Cessation Valuations:		
Rollforward (indicative)	£397	28 days from the date of invoice
Optional additional charges (rollforward cessation):		
using actual cashflows	£170	28 days from the date of invoice
allowing for active members becoming deferred at indicative cessation date	£340	28 days from the date of invoice
showing results on an additional basis (cessation/ongoing)	£567	28 days from the date of invoice
Full cessation valuation (final or indicative assessments)	£1,984	28 days from the date of invoice
Optional additional charges (full cessation):		
allowing for active members becoming deferred or pensioner	£1,417	28 days from the date of invoice
allowing for administration expenses/fees	£54	28 days from the date of invoice
allowing for McCloud	£0	Not invoiced
additional contribution calculations if employer in surplus	£907	28 days from the date of invoice
Employer funding updates:		
Rollforward (indicative)	£397	28 days from the date of invoice
Rollforward (indicative) using actual cashflows	£567	28 days from the date of invoice
Full valuation (indicative and final assessments)	£3,968	28 days from the date of invoice

Accounting:		
FRS102/IAS19 reports (all year-ends)		
Standard 12-month report	£562	28 days from the date of invoice
Bespoke Year-end/reporting period	£2,984	28 days from the date of invoice
Additional work (in addition to fees outlined above):		
Unfunded benefits		
- Full valuation	£1,616	28 days from the date of invoice
- Rollforward valuation	£0	Not Invoiced
Early retirement benefits	£0	Not Invoiced
Bulk Transfers	£851	28 days from the date of invoice
IAS19 appendix	£543	28 days from the date of invoice
IAS19 including remeasurement at each material event	Scoped Individually	28 days from the date of invoice
Bespoke long term financial assumptions	£0	Not invoiced
Bespoke short term financial assumptions	£342	28 days from the date of invoice
Bespoke mortality base table &/or improvement tables	£1,085	28 days from the date of invoice
IAS26 report	£1,134	28 days from the date of invoice
Actuarial statement	£567	28 days from the date of invoice
Providing a response to a standard auditor letter	£0	Not invoiced
- Single audit letter for all employers		

- Each additional standard audit letter	£397	28 days from the date of invoice
Providing a response to auditor queries	Fees will be assessed on a case-by-case basis.	28 days from the date of invoice

1. The fees quoted for the calculation tasks (accounting, academy calculations etc.) are dependent on receiving accurate data in a suitable time. Data submitted late, or in a different format from the standard processes, or which requires queries to be addressed, may incur additional fees beyond the rates quoted above.
2. Work requested as a matter of urgency and materially quicker than our standard turnaround time may incur an additional fee. Where an additional fee applies, this will be advised at the time the request is made.
3. If more than one calculation is being carried out in relation to new admissions or bond calculations, the cost will be the sum of the cost for each individual calculation.
4. Please note that we will follow up ahead of each accounting exercise with a breakdown of fees for our additional services that we provide to employers. These are set centrally by our central accounting team and lie out with our standard fee scope

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