

CHARGING POLICY

February 2015

Hertfordshire Pension Fund
Local Government Pension Scheme



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 website at <http://www.yourpension.org.uk/Hertfordshire/Pensions-Home>.

This Policy will be applied to all new requests from 1 February 2015.

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: Pensions.Team@hertfordshire.gov.uk
Telephone: 01992 555385/01992 555733

The Pensions Team will provide a quote of estimated costs and timescales for the requested work for review by the Scheme Employers and for

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 pensions.team@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 Request form which is accessible from the Fund's website at: <http://www.yourpension.org.uk/Hertfordshire/Information-for-employers/Forms>.

Please send completed forms to hertsc@lpfa.org.uk.

4. Charges

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, whether commissioned through Hertfordshire County Council's Pensions Team or through the Pension Fund's Administrators, the London Pension Fund Authority (LPFA)

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.

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 charges that will be incurred when a new scheme employer joins the scheme 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 at <http://www.yourpension.org.uk/Hertfordshire/Fund-information/Introduction>.
- 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 employers 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

4.3 Strain Costs

- **Early Retirements (Non Ill Health)**

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**

Each Scheme Employer is allocated an ill-health retirement budget at each triennial valuation of the Fund. The costs of ill-health early retirements for each Scheme Employer are monitored and employers who exceed their budget will be invoiced for the excess cost.

4.4 Ceasing Employers

The Pension Fund's policy for Scheme Employers leaving the Pension Fund is detailed in the Cessation Policy which can be found on the Pension Fund website at:

[http://www.yourpension.org.uk/Hertfordshire/Fund-information/Introduction.](http://www.yourpension.org.uk/Hertfordshire/Fund-information/Introduction)

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. If the cessation valuation results in a deficit position for the employer, this amount is payable to the Fund. Payment of this will extinguish the Scheme Employer's liabilities with the Fund

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

5. 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 – Pension.team@hertfordshire.gov.uk

Telephone - 01992 555385/01992 555733