

Report to: Pension Board

Date: 15 February 2020

By: Chief Financial Officer

Title: Employer Contributions Report

Purpose: This report updates the Board on the collection of Employer contributions up to November 2020 which were due on 19 December 2020.

RECOMMENDATION

The Board is recommended to note the report

1. Background

1.1 Under the Local Government Pension Scheme (LGPS) Regulations, East Sussex County Council is required to maintain a pension fund for its employees and other 'scheduled bodies' as defined in the Regulations known as the East Sussex Pension Fund (ESPF or the Fund). The Regulations also empower the Fund to admit employees of other 'defined' (e.g. other public bodies) bodies into the Fund.

1.2 The Employers (scheduled and admitted bodies) are required to pay both employee and employer contributions to the Fund monthly. The contributions rates for members is set out in the LGPS Regulations. The Employer contribution rate is set at the triennial valuation and recorded in the rates and adjustment certificate issued by the Funds actuary.

1.3 The Employers are required by regulations to make the payment of contributions to the Fund be made no later than 19 days of the following month in which the contributions were deducted from payroll (22 days by means of an electronic communication).

2. Supporting Information

2020/21 Contributions

2.1 The ESPF has set the 19 days following the month in which the contributions were deducted from payroll to determine if a payment has been received on time. The below table sets out the number of payments received after the 19 days have elapsed.

Table of Contributions received after the 19th day of the month following contributions deducted up to the 19 December 2020.

	April	May	June	July	August	September	October	November
Total payments due	109	109	109	109	109	109	109	110
Payments received late	9	4	5	3	6	4	5	3

2.2 In total there has been 39 late payments of contributions out of 873 expected payments. This is attributable to 21 different employers in the Fund, 12 of which have been single instances of late payment during 2020/21 to 19 December 2020. 9 Employers have paid late on more than one occasion with 4 of these paying late in consecutive months.

Improvements to the contributions monitoring

2.3 The Fund has undertaken a thorough reconciliation of the current tax year position of contributions owed and paid across by employers in the Fund. Due to historic resourcing issues and COVID-19 implications, the team struggled in the first half of 2020/21 to keep on top of monitoring the accuracy of contributions and to follow up with employers when payments have been received late. After significant work and reconciliation in the last quarter of 2020, the Fund now has detailed information in relation to employer contributions to have a clear understanding of any late or missing payments. The Fund's new Employer Engagement Team will be approaching each employer where it finds there to be missing or inaccurate contributions paid and asking for this to be rectified as soon as possible.

2.4 The Fund will be engaging with employers to understand the issues behind missed payments and providing support in order to reconcile. It is essential the Fund reinforces the statutory obligation of employers to pay contributions on time or they suffer the risk of fines or penalties and any breaches are reported accordingly to the Regulator. This aligns with the work carried out in the latter part of 2020 with the reviewed Administration Strategy coming out of the Good Governance review, which was the focus of the Employer Forum in November 2020. The Fund is also assessing the 'new employer admissions' to the Fund and making sure any backdated contributions have been paid and reconciled, whilst also establishing the expectations of all employer in the Fund.

2.5 Improvements for future reconciliations include the Fund setting up a more robust process for keeping track of employer contributions and identifying quickly where contributions are missing or inaccurate. The Employer Engagement Team will be reconciling contribution payments as soon as they are received, and any missing data or amounts will be chased up immediately to avoid any backlogs occurring. The Team hopes to build up strong relationships with the employers so that any problems can be resolved quickly. Employer can also contact the Team for help.

2.6 The introduction of i-Connect will also help with the contribution reconciliation going forward by negating the need for manual contribution forms to be sent by employers each month. As more employers are inducted onto i-Connect, the efficiency of contribution reconciliation will also improve. A more formal process is being built for new employer admissions, so any new admissions to the Fund are setup quickly where possible and contributions paid in a timely manner once the employer has been formally admitted into the Fund.

3. Conclusion and reasons for recommendation

3.1 The Pension Board is recommended to note this report and the activity of the team in bringing this area back to an acceptable standard and note the engagement work with employers that will result from these findings.

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