

Report to: Pension Committee

Date: 28 September 2021

By: Chief Financial Officer

Title: Employer Engagement Report

Purpose: This report updates the Committee on Employer Engagement activities including communications and the collection of Employer contributions up to June 2021 which were due on 19 July 2021.

RECOMMENDATION

The Committee is recommended to note the report

1. Background

1.1 This report is brought to the Pension Committee to provide an update on employer engagement tasks that directly affect the East Sussex Pension Fund (ESPF or the Fund).

1.2 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 as the 'East Sussex Pension Fund'. The Regulations also empower the Fund to admit employees of other 'defined' (e.g. other public bodies) bodies into the Fund.

1.3 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.

1.4 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

Employer Engagement

2.1. Officers have been focusing on establishing relationships with a number of the different employers across numerous projects. The team continue to develop a complete list of employer contacts for all employers within the Fund. This list will then be used going forward and updated when employers join or leave or any changes in staff within the individual employers.

2.2. The Employer Engagement Team have been busy working alongside the Pensions Administration (PAT) technical team to help deliver the Annual Benefit Statements (ABS). The communications and data queries have formed a large amount of work but has provided a real opportunity to establish a strong working relationship with the Technical team. The team have actively helped resolve employer queries on completing the data requests and sent reminders and

chasers to employers in line with the ABS project plan. There has been a good response from employers and the engagement with all employers has been positive.

2.3. The Employer Engagement team have been working alongside the PAT to help the onboarding process of the i-Connect project. We have onboarded the employers shown below which consists of 23 employer payrolls. The next stage of the roll out will be carried out from September once the ABS project has reached its conclusion. The team will be reaching out to other employers during September to initiate the first steps on the onboarding process. Initial conversations have taken place with the employers below with onboarding scheduled over the next few months.

Employers Onboarded	Employers due to be onboarded shortly
Aldridge Academies x3 Biffa East Sussex County Council x17 East Sussex College Group Flagship School	Aurora Academies – Oct/Nov Eastbourne Borough Council – Sept/Oct Rother – Oct/Nov Royal Pavilion & Museums Trust – Nov University of Brighton – Oct/Nov

2.4. The roll out of the i-Connect system to the larger employers in the Fund has been pushed back as the larger employers have requested further time to build their monthly payroll files. They have also had other projects which have meant they were unable to onboard earlier. The i-Connect project so far has helped to cleanse employee data for those already using the system and has provided some opportunities of engaging with employers on other matters. The Engagement team are aware that some employers may find the transition to i-Connect problematic with limits on time and technology. They will offer the relevant time and support to allow for a smooth transition alongside appropriate training.

Communications

2.5. The new Communications Working Group has been established and meet at least quarterly. The group has been reviewing high level communications carried out by the Fund and spent some time discussing newsletters. The most recent meeting focused on the new Pensions Fund Website which gave the engagement team some strong ideas to take forward and implement.

2.6. The Engagement Team are currently drafting the Active and Employer Autumn newsletters. The newsletters should be circulated from the start of September and provide an update on current news within East Sussex Pension Fund and relay details on existing and forthcoming projects. The format and timetabling of newsletters will be reviewed as part of the communications working group and a full review of these communications will be carried out.

2.7. Officers have been constructing the content and information held on the new East Sussex Pension [Fund website](#). All relevant content held on the old website has been transferred to the new website and has provided a good opportunity to focus on the overall look and feel. All content has been assessed to meet the needs of the East Sussex accessibility criteria. The new website is scheduled to go live from the 1st September and will continue to be reviewed and expanded over the next 12 months. The Engagement Team will continue to monitor the documentation and information on the new website and will work alongside the wider Pensions team on reviewing the forms and documents used by employees and other content.

2.8. The Employer Engagement Team has now recruited a new Employer Engagement officer who joined the team in late August. The new officer will be leading on various projects including the i-Connect roll out along with helping to establish a more robust and efficient admission and cessation process.

2.9. The team have also been part of the covenant project being carried out with a selection of higher risk employers. The team have been working alongside PwC to help provide questionnaires

and information gathering to assess the covenant of some employers that have been recognised as higher risk in their ability to meet liabilities. The higher risk employers are mostly those employers where the Fund does not have security or a guarantee in place in the case of financial difficulties in ability to pay pension contributions. The project will be carried out over the next couple of months with results due later in the year to be presented to Pension Board and Committee. Training on employer covenants was rolled out to officers and pension board members during August.

2.10. Future projects that the Engagement Team will be focusing on in the coming months include the Annual Employer Forum due to take place virtually in November, the McCloud data project in which employers have been written to, to request data sets for eligible employees and the Annual Allowance project.

Employer Contributions

3.1 In line with regulations, the Fund 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 July 2021.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
*Total payments due	120	120	122	123	125	126	126	128	128	129	129	127
Payments received late	2	4	3	3	3	8	3	3	7	11	8	8

**Total payments shown in February report have been amended to show the full year.*

3.2 In the past 12 month period there have been 63 late payments of contributions out of 1,503 expected payments. 12 of the 27 late payments in first quarter of 2021/22 were one off offenders during the quarter, with 4 employers being late twice and 1 employer late in all three months. The employer with persistent late payments has changed payroll provider and moved the service in house, resulting in the loss of relevant contacts with the Fund for payroll matters. The engagement team have been working hard to connect with the relevant members of staff at the employer however this is proving to be a struggle, although we anticipate this issue to resolve once the team have obtained the new Finance Director details, to rebuild relationships and ensure the employer has sufficient training and support to complete their regulatory obligations in relation to the LGPS.

3.3 Where payments have been received late, the team have communicated with the employers requesting payment and advising responsibility of the employer in relation to the regulations. The majority of responses are apologies and holiday notifications. From September the team will start to assess each employer on its merit for lateness as to whether a fine is required in line with the administration strategy, whether they should be monitored for further failures or whether there is a valid reason and a first offence.

3.4 The jump in late payments in April has arisen due to two issues. Firstly in April some employers had amendments to their contribution rates, resulting in a slight delay in receiving the funds for those employers. In addition, one of the late employer's was responsible for more than one payroll.

3.5 The main cause of ongoing late payments continues to be from a few smaller employers making payments by cheque. Due to Covid restrictions cheques are not always paid into the bank on a daily basis; this can lead to some delays in the cheque being received and credited. There have also been instances of cheques not arriving in the post causing a delay in cheques being

cancelled and resent. The Engagement Team are continuing to liaise with these employers to establish a more robust method of sending cheques via recorded delivery and providing e-mail copies of date stamped cheques. The Team are also suggesting the use of BACs payments wherever possible. As Covid restrictions are removed it should improve efficiency of collating and paying in of cheque payments. The introduction to i-Connect may also provide an opportunity for cheque paying employers to review their processes.

3.6 The Engagement Team also note that in the 1st part of the new tax year the number of discrepancies on contribution amounts can increase. This is normally due changes in the contribution rates not being actioned correctly by the employers. The Team notify all employers of the new contribution rates in sufficient time for employers to adjust contribution payments for April. Any discrepancies from the employers' contributions are checked straight away and employers are notified of any adjustments that are required. The notification of employer rates will be reviewed to establish if efficiencies can be made in this area.

Improvements to the contributions monitoring

3.7 The Fund has undertaken a thorough reconciliation of the 2020/21 position of contributions owed and paid across by employers in the Fund. The Fund now has detailed information in relation to employer contributions and have a clear understanding of any late or missing payments. The Fund's Employer Engagement Team has approached each employer where it found there to be missing or inaccurate contributions paid and have reconciled these accordingly. The Engagement Team now monitor all contributions paid and pick up on any discrepancies on a monthly basis and revert back to the employer to amend as soon as possible. Through this process it has allowed the Engagement Team improve relationships with the employers so that any problems can be resolved quickly and employers know they can also contact the Team for help.

3.8 The Fund will continue to engage with employers to understand the issues behind missed payments and providing support in order to reconcile. The Engagement Team are aware that 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. If any employers continue to provide incorrect payments or pay contributions late then employers will be warned and issued with relevant fines accordingly. The Fund is also assessing all 'new employer admissions' to the Fund and making sure any backdated contributions have been paid and reconciled, whilst also establishing the expectations of all employers in the Fund.

4. Conclusion and reasons for recommendation

4.1 The Pension Committee is recommended to note the updates provided in the report.

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