

**Report to:** Pension Board

**Date:** 5 November 2021

**By:** Chief Finance Officer

**Title:** Employer Engagement Report

**Purpose:** This report updates the Board on Employer Engagement activities including communications and the collection of Employer contributions up to August 2021 which were due on 19 September 2021.

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## **RECOMMENDATION**

**The Board is recommended to note the report**

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### **1. Background**

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

1.3 The Employers (scheduled and admitted bodies) are required to pay both employee and employer contributions to the Fund monthly. The contribution 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. The Employer Engagement Team has continued to work alongside the Pensions Administration (PAT) technical team to help deliver the Annual Benefit Statements. The sweep up of employer queries has continued and the engagement team has been communicating with employers to clear up any issues.

2.2. The Employer Engagement team have been working alongside the PAT to help the onboarding process of the i-Connect project. We have so far fully onboarded 26 employers; with a further 16 employers where the initial process has begun; and further sessions are booked to go through the next onboarding steps. The team has encountered some issues with the i-Connect software on a few processes. These issues are being looked at internally to find the best processes and manage the data that is getting sent through the i-Connect system.

2.3. As a result of some unexpected issues arising from the roll out of i-Connect, the Fund has reached out to other authorities that have been using i-Connect for a longer period to review how

they use the system to its full capabilities to take advance of any lessons learn that we can embed into our processes.

2.4. Before rolling out the project to other larger employers the Fund plan to ensure the existing onboarded employers are all set up and running well, with no new questions or challenges in the data input or reconciliation process. Instead, the next stage of the roll out will be carried out focussing on the 'Online Return' method of data uploading which will be applicable for some of the smaller employers. It has been a great opportunity for the team to engage and speak to different employers on this project and start to build good relationships.

Still to onboard	Initial enquiries ongoing	Started onboarding process	Onboarded
73	5	16	26

2.5. Where discussions have already begun with larger employers in the Fund, those larger employers have requested further time to build their monthly payroll files to ensure integrity of the system and data submissions.

2.6. 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. Although the anticipated benefit to the contribution reconciliation process has not transpired, as the i-Connect system does not yet account for secondary contributions, although this is planned for future development. The Engagement team is aware that some employers may find the transition to i-Connect problematic with limits on time and technology. The team will offer the relevant time and support to allow for a smooth transition alongside appropriate training.

## Communications

2.7. The Autumn Employer Newsletter has been created and communicated across all employers. The newsletter has been updated with some suggested changes from the Communication Working Group and will continue to be reviewed and restructured. The active Autumn newsletter is currently being drafted and communicated to active employees by the end of October.

2.8. We can confirm that the new East Sussex Pension Fund website is now live. The feedback of the new website so far has been very positive. Most of the feedback highlights how much fresher and modern looking it is, as well as being much easier to navigate and find information. 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, documents and content currently held.

2.9. The covenant project being carried out by PwC with a selection of higher risk employers is continuing. We have had responses from the majority of employers in scope and are chasing the remaining few that are still to return questionnaires. The final reminders have been sent out to employers and the next stage of the project is due to commence in the upcoming weeks.

2.10. The Employer Annual Forum is to be held virtually on 24 November. Communications have been sent to employers providing the date, times and agenda for the event. So far we have received notification from many employers that they are going to attend the event. We are sure that the topics and themes covered on the day will provide plenty of scope for employers to build their knowledge and have the opportunity to get some questions answered. An agenda for the day is set out in **Appendix 1**.

## 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.*

	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
<b>*Total payments due</b>	122	123	125	126	126	128	128	129	129	127	127	127
<b>Payments received late</b>	3	3	3	8	3	3	7	11	8	8	3	10

*\*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 70 late payments of contributions out of 1,395 expected payments. The majority of the missed payments we have is still down to some employers that still pay by cheque. As outlined previously, 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. Six of the late payments in August were due to cheque payments. The Engagement Team is 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 is also suggesting the use of BACs payments wherever possible. As Covid restrictions are removed, the efficiency of collating and paying in of cheque payments should improve. The introduction to i-Connect may also provide an opportunity for cheque paying employers to review their processes.

3.3 Where no cheque payments have been received late, the team has communicated with the employers requesting payment and advising responsibility of the employer in relation to the regulations. Since September the team has started to assess each employers' conditions for lateness. We have sent official warning notification to late payments and outlined that if late again in a 12 month period administration charges will be sought in line with the administration strategy.

## Improvements to the contributions monitoring

3.4 The Engagement Team now monitors all contributions paid and pick up on any discrepancies on a monthly basis, reverting 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.

3.5 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 is aware that it is essential the Fund reinforces the statutory obligation of employers to pay contributions on time or they suffer the risk of administration charges and any breaches are reported accordingly to the Regulator. 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 Board is recommended to note the updates provided in the report.

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