

Report to: Pension Board

Date: 27 May 2022

By: Chief Finance Officer

Title: Employer Engagement Report

Purpose: This report updates the Board on Employer Engagement activities and the collection of Employer contributions up to March 2022 which were due on 19 April 2022.

RECOMMENDATION

The Pension Board is recommended to note the report

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 (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 known 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 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 or set on admission to the Fund agreed by the Funds actuary.

1.4 The Employers are required by regulations to make the payment of contributions to the Fund 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

i-Connect

2.1. The i-Connect project is continuing to progress with more employers being contacted around onboarding to the new system and those that we have already had initial conversations with are taking the next steps to prepare for using the system.

2.2. The Employer Engagement team have been working alongside the Pensions Administration Team (PAT) to help the onboarding process of the i-Connect project. As highlighted in the last report, the team encountered some issues with the i-Connect software and some

limitations on certain processes. These issues have been looked at internally to find the best method to manage the data that is getting sent through the i-Connect system.

2.3. After feedback from other local authorities already using i-Connect, as well as what knowledge we have gleaned from using i-Connect for 12 months, we have created our own East Sussex specifications. These specifications are to sit alongside the standard Heywoods i-Connect specifications and set specific workarounds and changes that we require employers to action on their monthly returns. These are essential to get the required monthly information through the i-Connect portal. The team ran workshops for employers that have already been onboarded to go through the specifications; the recording has been shared with those employers unable to attend. The new specifications are part of the new process we run with all employers when they are first introduced and onboarded on to the i-Connect system.

2.4. Due to the creation of Fund specific specifications, the Fund has slowed down the rolling out of i-Connect to larger employers due to needing to maintain and support existing onboarded employers. We are continuing to progress with onboarding smaller employers using the 'Online Return' method of data. It continues to be a great opportunity for the team to engage and speak to different employers and has helped with other projects and queries on other pension matters.

2.5. The current numbers for the i-connect project:

Still to onboard	Initial enquiries ongoing	Started onboarding process	Onboarded
35	13	9	75

2.6. The intention was to onboard some of the larger employers onto i-Connect for year end to help with the production of Annual Benefit Statements. One of the larger employers we have been working with have been unable to fulfil this commitment due to lack of resourcing from their side. Therefore they are submitting a year end return with the intention of onboarding to i-Connect later in the year. We are finding that with the large employers we are having to carry out a lot of data cleansing and checks before we are able to go through the member matching and onboarding phase. This creates a lot of work for the Engagement, Admin and Technical teams and means slower progress for onboarding employers using the file upload method.

2.7. The Fund is looking to recruit some i-Connect specific roles that will help not only with the onboarding of employers onto the i-Connect system but also the monthly data and task creation that flows through the system to the pensions Admin system. The job descriptions for these roles have been written and signed off and will be advertised inline with the roles within the Pensions Admin team.

2.8. There has been a new release from Heywoods the i-Connect software developers to allow i-Connect to be used for contribution reconciliation purposes. This is still in the initial phases and once we have a fully resourced i-Connect team in place and all employers are onboarded we are planning on using this facility to help us reconcile monthly contributions and carry out more robust contribution governance.

2.9. The i-Connect project is continuing to help cleanse employee data for those already using the system and has provided some real 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. The team have offered the relevant time and support to allow for a smooth transition alongside appropriate training. The team have begun to suggest visiting employers in person to carry out training and support.

Projects

2.10. The Employer Engagement team are working with the Pensions Admin and Technical teams on the Annual Benefit Statement project. The Team have been communicating with employers in reference to them providing the end of year salary data requirements. This data is required to allow for the preparation of Annual Benefit Statements (ABS). 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 so far and help and support is being provided to those employers that are needing more assistance in getting the relevant data returned. As a large proportion of the employers are now successfully onboarded on to i-Connect we do not require end of year returns from them. The relevant data will be provided through i-Connect which should reduce the amount of time spent going back to employers with data queries.

2.11. The Engagement team is drafting some training slides for employers to cover some frequently asked questions and topics. We hope to start delivering some training sessions in the second half of the year in person to employers and their members.

2.12. Based on some feedback from employers a process guide on the specific topic of the Funds ill health policy is currently being drafted. This will cover the whole process that employers are required to go through if they have members retiring under ill health reasons.

2.13. In order to improve our communication and governance with employers we are carrying out a project to confirm authorised signatories and contacts for all employers, linked to a finding in the Internal audit work. This will allow us to check contribution forms are completed correctly and provide the team with a better breakdown of the relevant contacts we hold for employers and their team structures.

2.14. The final results of the covenant project being carried out by PricewaterhouseCoopers (PwC) with higher risk employers is due by the end of May 2022. Once these have been assessed the results will be communicated with the Board.

Employer Contributions

3.1 In line with regulations, employers are required to pay over contributions to the Fund, on or before, the 19th day following the month in which the contributions were deducted. The below table sets out the number of late payments, received after the 19 days have elapsed.

Tables of Contributions received after the 19th day of the month following contributions deducted up to the 19 April 2022.

Non-Cheque	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total payments due	117	117	115	115	115	117	117	117	120	121	123	123
Payments received late	9	9	4	3	9	8	2	3	1	2	3	0

Cheque	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total payments due	12	12	12	12	12	12	12	12	12	12	12	12
Payments received late	2	0	4	0	6	3	3	1	3	0	1	2

Overall	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total payments due	129	129	127	127	127	129	129	129	130	131	133	134

Payments received late	11	9	8	3	15	11	5	4	4	2	4	2
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3.2 In the last 12-month period, there have been 78 late payments of contributions out of 1,554 expected payments. Contribution tables for this report have been split out to show the difference between cheque payers and non-cheque payers. A percentage of the missed payments is down to those employers that still pay by cheque. As outlined previously, cheques are not always paid into the bank daily; 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. Some employers are limited by the infrastructure in place. The introduction to i-Connect may also provide an opportunity for cheque paying employers to review their processes.

3.3 The team continue to monitor all contribution payments but find that late payments are normally due to a range of reasons, (change in payroll provider, change in staff, staff holidays etc). In general, we are still not noticing any specific trends in these late payments such as repeating late payments from a single employer. Every time a late payment is made the engagement team send a warning email alongside the offer of a phone call or Microsoft Teams meeting to ascertain the reason for late payment to correct this for the following month.

3.4 There has been one employer so far that has had multiple late payments, resulting in the issue of administration charges. The team have offered support the employer if they require retraining on employer responsibilities and the requirements of paying contributions on time. We are also working with the governance team to see what further escalations can be actioned if this trend continues.

3.5 The Engagement Team now monitor all contributions through a monthly log and pick up on any discrepancies monthly and revert to the employer to amend. Reminders are sent to all employers throughout the month to try to reduce the number of late payments and late contribution forms being received. Official warning notifications are sent to late payers outlining that if late again in a 12-month period, administration charges will be sought in line with the administration strategy.

3.6 The Fund will continue to engage with employers to understand the issues behind late payments and provide support 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 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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