

Report to: Pension Committee

Date: 17 June 2022

By: Chief Finance Officer

Title: Employer Engagement Report

Purpose: To update the Pension Committee on Employer Engagement activities and the collection of Employer contributions up to March 2022 which were due on 19 April 2022.

RECOMMENDATION

The Pension Committee 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.

2.3. The Fund have now created and issued our own East Sussex specifications for employers to implement on their monthly returns. These specifications are to sit alongside the standard Heywoods i-Connect specifications and are essential to get the required monthly information

through the i-Connect portal to align with the Funds internal processes and systems. The team ran workshops for employers that have already been onboarded to go through the specifications.

2.4. Status of onboarding of employers can be seen in the table below:

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

2.5. The Fund planned 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 roll out has been delayed due to resourcing issues with the employer, so a year end return will be completed for 2021/22 with the intention of onboarding to i-Connect later in the year. To onboard the large employers there is significant data cleansing requirements and checks before the member matching and onboarding phase resulting in a lot of additional work for Fund officers and has resulted in slower progress for onboarding employers than originally expected.

2.6. 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.

2.7. 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.

2.8. The team have offered time and support to employers to allow for a smooth transition alongside appropriate training. The team plan to start visiting employers in person to carry out training and support in the near future.

Projects

2.9. 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.

2.10. 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.

2.11. 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.

2.12. 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.

2.13. 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 Pension Board and Pension Committee and will feed through to the Triennial Valuation.

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

3.2 In the last quarter, there have been 8 late payments of contributions out of 398 expected payments (2%) this is a significant improvement from the first half of the year. A percentage of the missed payments is down to those employers that still pay by cheque. 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 or suggesting the use of BACs payments wherever possible.

3.3 Late payments are monitored and 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.

3.5 All contributions are monitored through a monthly log which identifies any discrepancies where the team 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.

4. Conclusion and reasons for recommendation

4.1 The Pension Committee is recommended to note the report.

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