

Report to: Pension Board

Date: 30 May 2023

By: Chief Finance Officer

Title: Employer Engagement Report

Purpose: This report updates the Pension Board on Employer Engagement activities and the collection of Employer contributions up to March 2023 which were due on 19 April 2023.

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 (the Fund).

1.2 Scheme Employers (scheduled and admitted bodies) are required to pay both employee and employer contributions to the Fund monthly, no later than 19 days of the following month in which the contributions were deducted from payroll. The contribution rates for members are set annually by the LGPS and are based on salary bandings. 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 Fund's actuary.

2. Supporting Information

i-Connect

2.1. The i-Connect project is continuing, with good progress to onboard all employers for the end of year. Employers that are not yet on i-Connect have been sent a manual end of year template to complete to allow the Technical/Projects team to produce Annual Benefit Statements.

2.2. The onboarding focus has been on the employers who have been fully engaged to aim for onboarding for end of year purposes. Each employer requires a large amount of time and resource to introduce to the system, build monthly file and train them on using the

system. The onboarding process has driven good engagement with employers with the chance to meet and answer questions they may have on other topics.

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

Still to onboard/engage with	Initial enquiries ongoing	In Progress to onboard	Onboarded
1	11	7	119

2.4. Fund Officers are working with the remaining larger employers to help build upload files and educate them on the i-Connect processes. Large employer files are complex and it is challenging making sure the monthly file contains the correct data and is formatted correctly. This can take a significant number of calls and time with the employer and their payroll provider to get the file ready to run through the i-Connect software.

2.5. The i-Connect team are now fully established and embedded and have helped both with the onboarding of new employers and the monthly data file processing. Officers are now working to build a robust monthly process to start streamlining output from i-Connect files so that monthly data can flow to the administration team while addressing any issues or errors in the data loaded. Once all employers have been onboarded the monthly process will start to look at using i-Connect to help with the monthly contribution reconciliation. Officers have added some Fund and employer responsibilities to the Pension Administration Strategy around i-Connect to ensure roles and responsibilities are clear and will continue to build on this once i-connect is fully implemented and is the standard process for data from employers.

2.6. The Engagement team have found that some employers find the transition to i-Connect problematic with limits on time and technology, in these cases the team have offered time and support to allow for a smooth transition alongside appropriate training. Officers continue to support these employers on a monthly basis.

2.7. Now the Fund has onboarded over 85% of scheme employers, many process issues have been identified that were not expected, due to the way that i-Connect functions. The Fund is progressing how it responds to issues that arise and monitor and update the specific Fund specifications. In addition, employer staff turnover, and payroll provider changes can be problematic for the i-Connect team and transfer of this monthly data. Officers emphasise at the onboarding stage that any changes to staff or payroll systems need to be communicated to the Pension Fund at the earliest possible stage to manage the transition accordingly. This has also been added into the Pension Administration Strategy. Officers will make sure that any changes get picked up on our annual reviews carried out with each employer.

Employer Contribution Rates and Accounting Reports

2.8. Following the sign off of the 2022 triennial valuation report the employer engagement team have been communicating with all employers on the new employer contribution rates starting in April 2023 and issued new LGPS31 forms with the new rates for the next 12 month period. Employers have also been notified of the new employee rates.

2.9. The annual accounting reports for many of the employers are due around April/May. Officers have communicated to all relevant employers to ascertain the type of report they

require and worked alongside the Fund actuary to arrange completion of the reports. Some employers' auditors are requesting more vigorous information and checks around their annual accounting reports which causes more work for the team to manage. Officers have worked with the actuary to make the process more robust and clearer on the timeline and detail being provided. Universities, colleges and schools' reports will be provided later in the year.

Employer Contributions

3.1 The below table sets out the number of late payments, received after 19 days have elapsed following contributions deducted from payroll. Up to March 2023.

<u>All payment methods</u>	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Total Payments Due	136	136	137	137	137	136	138	138	138	139	140	140
Payments Received Late	6	5	4	2	1	3	1	0	0	1	1	1

3.2 In the last 12-month period, there have been 25 late payments of contributions out of 1,652 expected payments (2%) and 3 late payments in the last quarter. The late payments in the last quarter were due to issues around cheques arriving on time or being lost in the post. Officers are working with employers that continue to pay by cheque to see if electronic payments can be utilised in the future, however due to how some smaller parish councils work, it is difficult to move onto electronic payments. Employer payment numbers are slightly higher than employers for i-Connect due to multi academy trust payments can be for single employers while the trust complete a single submission on i-Connect.

3.3 The Fund has not identified trends in the late payments or repeating late payments from the same employers. Reminders are sent to all employers throughout the month to try to reduce the number of late payments and late forms. Any late payment results in a warning e-mail alongside the offer of a phone call or Teams meeting to ascertain the reason for late payment to correct this for the following month. If an employer is late again in a 12-month period then an administration charge is levied in line with the Pension administration strategy.

3.4 As part of an improvement to increase the governance of the monthly contribution process following a recommendation by Internal Audit, the Fund has been checking that all LGPS31 contribution forms are signed and reviewed by the relevant section 151 Officer or approved delegated person. Any discrepancies are returned to the employer to rectify before being accepted by the Fund. The Fund carry out an annual check to ensure we hold relevant authorised signatories for each employer, or if an employer has changed staff or payroll provider.

4. Conclusion and reasons for recommendation

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

IAN GUTSELL
Chief Finance Officer

Contact Officer: Tim Hillman, Pensions Manager Employer Engagement
Email: Tim.Hillman@eastsussex.gov.uk