

Report to: Pension Committee

Date: 22 June 2021

By: Chief Financial Officer

Title: Employer Engagement and Contributions Report

Purpose: This report updates the Committee on Employer Engagement activities including communications; and the collection of Employer contributions up to March 2021 which were due on 19 April 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 (the Fund).

1.2 Under the Local Government Pension Scheme (LGPS) Regulations, East Sussex County Council (ESCC) 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 by 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 has been busy 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 has 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.

2.3. The last quarter has seen a progression with the next stage of the i-Connect project. The roll out to first few employers was slightly delayed due to the migration from Surrey to East Sussex, however the largest employer in the Fund (ESCC) has been onboarded and will utilise the i-Connect system to provide monthly uploads of employer data. The Employer Engagement Team have been working alongside the Pensions Admin Team on the onboarding of the employers and will continue to work in collaboration for the duration of the project.

2.4. The next stage of the i-Connect project is to roll out the i-Connect system to the larger employers in the Fund, alongside other employers who are already using the i-Connect system in other authorities. The i-Connect project is a good opportunity to help cleanse employee data and in time will allow a more efficient method of data transfer between the employer and the Fund. 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. As requested in the February Pension Board meeting a new Communications Working Group has been established with the first meeting on 2 June 2021. This group will initially consider the current terms of reference and correspondence strategy and provide feedback on recent communications sent to members and employers of the Fund.

2.6. The Engagement Team have produced and released the spring newsletters (see Appendix 1,2 & 3) for employers, actives, and pensioners in the Fund. The newsletters provide an update on current news within the Fund and relay details on existing and forthcoming projects. The format, timetabling and content of newsletters will be reviewed as part of the communications working group.

2.7. Officers have also started assessing the content held on the Fund website. All content held on the website needs to meet the East Sussex accessibility criteria. Work is progressing to make sure any documents, forms or articles meet the required standards. The Team will continue to monitor the documentation and information on the website and will work alongside the Pensions Admin Team on reviewing the forms and documents used by employees.

2.8. There is still a vacancy in the Employer Engagement Team for a Pensions Employer Engagement officer. The advert for the role closed at the end of May with interviews in early June.

2.9. Future projects that the Engagement Team will be focusing on in the coming months include the McCloud data project in which we will be writing to employers to request data sets for eligible employees. They will also be involved in the next stage of the Annual Allowance project where further information from employers may be required.

2020/21 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 March 2021.

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

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

3.2 In the accounting year 2020/21 there have been 50 late payments of contributions out of 1,478 expected payments. The main cause of late payments are due to 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 is liaising with these employers to establish a more robust method of sending cheques via recorded delivery and providing email copies of date stamped cheques. The Team is 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.

3.3 The Engagement Team also notes that in March and April the number of discrepancies on contributions can increase. This is normally due to the new contribution rates not being actioned correctly by the employers. The Team notifies 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.

3.4 As part of the contribution reconciliation it was found that some employers who were due to pay additional strain costs for 'ill health early retirements' were not paying the correct amounts. The relevant employers have been notified and over or under payment adjustments have been carried out.

Improvements to the contributions monitoring

3.5 The Fund has undertaken a thorough reconciliation of the current position of contributions owed and paid across by employers in the Fund. After significant work and reconciliation of the last financial year 2020/21, 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 have been approaching each employer where it finds there to be missing or inaccurate contributions paid and asking for this to be rectified as soon as possible. Where the Engagement Team have found discrepancies in amounts due and amounts paid they have resolved these issues through meetings and providing the evidence of under or overpaid contributions.

3.6 The Fund will continue to engage with employers to understand the issues behind missed payments and providing support in order to reconcile. Since the Engagement Team has started engaging with employers on contribution issues the number of queries or repeat offenders has dropped. 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 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.

3.7 Improvements with reconciliations included the Fund setting up a more robust process for keeping track of employer contributions and identifying quickly where contributions are missing or inaccurate, this has been achieved by enhanced reports and a documented procedure. The Employer Engagement Team will be reconciling contribution payments as soon as they are received, and any missing data or amounts will be chased up immediately to avoid any backlogs occurring. The Team hopes to build up strong relationships with the employers so that any problems can be resolved quickly. Employer can also contact the Team for help.

3.8 The introduction of i-Connect will also help with the contribution reconciliation going forward by negating the need for manual contribution forms to be sent by employers each month. As more employers are inducted onto i-Connect, the efficiency of contribution reconciliation will also improve due to the contribution reporting features on i-Connect. A more formal process is being built for new employer admissions, so any new admissions to the Fund are setup quickly where possible and contributions paid in a timely manner once the employer has been formally admitted into 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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