

**Report to:** Pension Committee

**Date:** 24 February 2022

**By:** Chief Financial Officer

**Title:** Employer Engagement Report

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

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## **RECOMMENDATION**

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

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### **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 (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 progressing with more employers being initially contacted around onboarding to the new system and those that have already had initial conversations and meetings 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 have encountered some issues with the i-Connect software on some

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. As a result of speaking to other authorities that have been using i-Connect for a longer period we have been able to establish our own specifications that we will be able to provide to employers to give them the relevant information and workarounds we require as part of the onboarding process. These specifications have been drafted and are currently being peer reviewed and will be available to all employers in February 2022.

2.4. Due to the decision to create a Fund specific specification document to ensure the data received is aligned with the internal procedures to act up on the data, the Fund slowed down the rolling out of the project to other larger employers to ensure the existing onboarded employers are all set up and running well. Instead, the team have been 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.

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

Still to onboard	Initial enquiries ongoing	Started onboarding process	Onboarded
52	9	16	49

2.6. The Fund have had conversations and meetings with three larger employers who would ideally be onboarded to the i-Connect system, with the first files run for member matching and identification or errors, before the financial year end. This should allow the Annual Benefit Statement data to be received through i-Connect instead of the year end method, as these larger employers required significant work to make sure data is correct.

2.7. The contribution reconciliation process is not currently an option through the i-Connect system, however, Heywood's have advised that a future release to the software later in the year should allow this reconciliation of monthly contributions.

2.8. The i-Connect project is continuing to help cleanse employee data for those already using the system and has provided some 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 will offer the relevant time and support to allow for a smooth transition alongside appropriate training. The Fund are hopeful that as restrictions on Covid are relaxed we will be able to provide training to employers particularly on i-Connect in person.

## Communications

2.9. The Employer Engagement Team have continued to improve communications and build relationships through engagement with employers through ongoing projects.

2.10. The Pensions Communication Manager has now been appointed, Paul Linfield joined the team in January 2022 and will be focusing on numerous communication needs across the Fund including the chairing of the Communications Working Group.

2.11. The Q1 employer newsletter is in the process of being drafted and communicated to all employers. The active newsletter is also being drafted and will be communicated shortly. A review of how newsletters are drafted and issued will take place in the next few months to see if a clearer more effective method can be used.

2.12. The covenant project being carried out by PricewaterhouseCoopers (PwC) with higher risk employers is continuing. PwC have completed the data collation and questionnaire phase of the project and require cessation valuation reports for assessment, this information is being provided

by the Fund actuary. Once these have been completed PwC will be in position to complete the final report.

2.13. The Employer Annual Forum was held virtually on 24 November 2021. There were 78 individuals in attendance, made up of employers, officers and pension and committee members. The Fund has received good feedback on the session and many employers that we have subsequently spoken to, found the topics covered were substantial with good detail. The breakout room elements in the afternoon were received well and the feedback was that this was a good way virtually for people to raise their questions. We hope that we can run future interactive sessions with employers on set topics later this year. A link to the Forum recording is on the Pension Fund website and is broken down for each individual presenter/speaker.

### 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 December 2021.*

<b>Non-Cheque</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>
<b>Total payments due</b>	114	114	116	116	117	117	115	115	115	117	117	117
<b>Payments received late</b>	4	2	0	1	9	8	4	3	9	5	0	3

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

<b>Overall</b>	<b>Dec</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>
<b>Total payments due</b>	126	126	128	128	129	129	127	127	127	129	129	129
<b>Payments received late</b>	8	3	3	7	11	8	8	3	15	8	2	4

3.2 In the last 12-month period, there have been 80 late payments of contributions out of 1,534 expected payments. Contribution tables for this report have been split out to show the difference between cheque payers and non-cheque payers. A large percentage of the missed payments is still down to those employers that still pay by cheque. As outlined previously, due to Covid restrictions, 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. 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 Other late payments that are non-cheque payers are normally due to a range of reasons, (change in payroll provider, change in staff, staff holidays etc). There is no noticeable trend 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 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.

3.4 In the past few months the team have created a more robust method of highlighting late payers and have communicated with the employer's requesting payment and advising responsibility of the employer in relation to the regulations. Official warning notifications have been sent to late payers and it is outlined that if late again in a 12-month period administration charges will be sought in line with the administration strategy. There has been one employer so far that has had multiple late payments, resulting in the issuance of an administration charge to this employer. The team have also offered support the employer if they require retraining on employer responsibilities and the requirements of paying contributions on time.

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. Through this process it has allowed the Engagement Team to improve relationships with the employers so that any problems can be resolved quickly, and employers know they can also contact the team for help.

3.6 The Fund will continue to engage with employers to understand the issues behind late payments and provide support to reconcile. The Engagement Team are 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 Committee is recommended to note the updates provided in the report.

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