

WILTSHIRE COUNCIL

WILTSHIRE LOCAL PENSION BOARD
18 October 2017

EMPLOYERS CONTRIBUTIONS MONITORING

Purpose of the Report

1. The purpose of this report is to update the Board on the current employer contributions monitoring and outline the changes being implemented from 1 October 2017.

Background

2. There has been statutory changes to the approach pension funds must take in respect of employer's contributions. The Pensions Regulator's (tPR) code of practice (Code of Practice no. 14 Governance and administration of public sector pension schemes) <http://www.thepensionsregulator.gov.uk/docs/code-14-public-service.pdf> set out the obligations of the pension fund to ensure that all employer and employee contributions and supporting member returns are received on time.
3. In summary, the Code of Practice no. 14 sets out the following:

Legal Requirements

4. *Para 147 - all contributions must be paid in line with the regulations of the scheme.*

Para 148 - all payments are to be made by the 19th of the month following deductions or 22nd if paid electronically or earlier if specified in a given scheme's regulations.

Para 149 - scheme managers are to give notice to The Pensions Regulator if late payment is material.

Practical Guidance

5. *Para 150 – scheme managers are to establish and operate adequate internal controls to identify payment failures that are of material significance to the Regulator.*

Para 151 - schemes should monitor pension contributions, resolve payment issues and report payment failures so that the scheme is administered and managed in accordance with the scheme regulations and other legal requirements.

6. With the rapid increase in employer bodies in the Fund over the past few years, the monitoring of employer contributions is becoming more challenging and a greater administrative exercise. This was an area also highlighted in the South West Audit Partnership (SWAP) assessment of the Fund against the Code of Practice Number 14.

Considerations for the Board

Wiltshire Pension Fund – Analysis of Pension Contributions

7. The tables below show the value of contributions received on time and late.

2016-17	Total £000	On time		Late	
		£000	%	£000	%
Employee	19,155	18,881	98.6%	275	1.4%
Employer	76,745	75,760	98.7%	985	1.3%
Total	95,900	94,641	98.7%	1,260	1.3%

8. Considering the Fund receives around 2,000 payments per annum, for 2016-17, in total 83 monthly contribution payments were received late of which 74 were received within the month, 6 received between 1 and 3 months late and 3 received more than 3 months late.

2015-16	Total £000	On time		Late	
		£000	%	£000	%
Employee	19,329	19,257	99.6%	73	0.4%
Employer	70,120	68,343	97.5%	1,778	2.5%
Total	89,449	87,600	97.9%	1,851	2.1%

9. In 2015-16, 60 payments were late, 47 received within the month, 9 between 1 and 3 months late and 4 received more than 3 months late.
10. The last 2 years indicates a favourable direction of travel on the face of it, the 2015-16 proportion of late contribution of 2.1% reduced to 1.3% for 2016-17.

Contribution Framework – Employer Responsibilities

11. The requirements for employers is to ensure pension contributions arrive by 19th of the month for cheques and 22nd of month for electronic payments. They are also required to provide supporting information for each payment that the Fund call the Monthly Contribution Returns which needs to arrive in line with the payments so the money can be identified, checked and allocated to the correct employer.
12. The table below outlines the current performance of employers for 2017/18.

Summary of Employer Late Payments at August 2017

Employer type	No. o/s	Amount o/s		
		August 17	Contributions £	Deficit £
Academies	1	206	206	0
Colleges	0	0	0	0
Other Employers	2	12,936	2,402	10,533
Town & Parish Councils	0	0	0	0
Swindon Pool	1	1,861	1,861	0
Wiltshire Pool	1	1,115	1,115	0
	5	16,119	5,585	10,533

13. Of these late payers, all the employers have been chased.

New Contribution Framework

14. In line with the recommendation by SWAP, the Fund has now revised and implemented a new Contributions Framework. The attached letter was sent to all employers in late July

2017 to introduce and explain the processes that becomes effective from 1 October 2017. Each employer has also been issued with a unique reference numbers to assist in the monitoring process.

15. All employers must provide to the Fund the information provided in the revised Monthly Contribution Return which can be viewed in on the following link <http://www.wiltshirepensionfund.org.uk/monthly-contribution-return-2017-updated-july-2017.xls> in accordance with the submission deadlines
16. The main purpose of the new form is to standardise the format and content for all Employers.
17. The Fund is allocating additional officer resource to the monitoring process, and from an operational perspective have set out a clear process for chasing late payments with standard template letters, providing employers with an initial warning that lead to a clear escalation route for late payers ending up with reporting a breach to this Board.
18. The Fund has also now outlined to all employers that it will impose the sanctions explicitly defined in the regulations which include:
 - “Fines” – financial penalties recouping the direct costs of Pension Funds incurred due to investigating and pursuing late payments and information and
 - Applying interest to outstanding sums.
 - Reporting directly to the Pensions Regulator.

Environmental Impact

19. There is no environmental impact from this report.

Financial Considerations

20. This report outlines the financial considerations above.

Risk Assessment

21. The risk of non-compliance with the statutory requirements are included in the Risk Register elsewhere on this agenda.

Legal Implications

22. There are no immediate legal implications arising from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

23. There are no implications at this time.

Proposals

24. The Board is requested to note the Fund's current employer contribution monitoring position and the revised framework being implemented.

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