

Monitoring Contributions Process

Background

Governing bodies should have processes in place to check contributions due to the scheme and to reconcile them with what is actually paid to confirm agreement, or conversely to identify payment failures.

Procedures also need to include measures to identify payment failures which are likely to be of material significance to The Pensions Regulator when exercising their functions.

Under section 249A of the Pensions Act 2004, governing bodies of certain schemes must establish and operate an effective system of governance including internal controls. The system of governance must be proportionate to the size, nature, scale and complexity of the activities of the scheme.

Under section 249B of the Pensions Act 2004, scheme managers of public service pension schemes are required to establish and operate internal controls, which are adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and with the requirements of the law.

Payment schedules or direct payment arrangements must be administered, monitored and managed according to any scheme rules, regulations and legal requirements.

Process

Monitoring of contributions is primarily dealt with by Investment officers within Leicestershire County Council, acting as Scheme Administrator.

It is recommended to scheme employers that they make payment of their contributions to the Fund by 9th of the month after when the deduction was taken, although the regulations allow for payment to be made by 22nd. The earlier date allows time for the Investments team to check and raise any issues prior to the statutory deadline.

Details of contributions paid are stored and monitored using EPIC, the database system and also Altair, which is used to record employee contributions paid each month by individual scheme members.

Contributions are split between employee contributions (and also split between main scheme, 50:50 and additional contributions) and employer contributions. EPIC also records the dates the payments were received.

EPIC calculates the percentage of employer contributions that have been paid based on the amounts received each month. Where there are any unexpected differences from previous months, these are queried with the employer.

New Employers

The Pensions Employers and i-Connect team will notify the Investments team by email of any new employers that join the fund. The email includes details of the bank account to pay the contributions to and details of the deadline by which they must be paid.

In addition, they will add the new employer to EPIC, which includes details of the employer contribution rates, and Altair to allow contributions to be recorded.

Late Payments

Officers also check for any late payments or overdue contribution schedules in a monthly reconciliation exercise. Reminders are then issued to the employer. In practice, it is very rare that contributions are late.

Note that the Fund does not usually charge interest for late payment of contributions nor does it write-off outstanding contributions. However, cases are assessed individually.

Examples include where interest is more likely to be considered, a regular ongoing failure by a single employer, or a late payment from a large fund employer.

Breaches of Law

If contributions are over 90 days late, this is a breach of law and officers will report these to the Employers and i-Connect team within the Pension Section. These cases will also be reported to the Pensions Manager who will then assess whether the breach is deemed material, in accordance with the Fund's "Procedure for Reporting Breaches of the Law to the Pensions Regulator" document. The Pensions Manager will consider if interest should be charged.

Meanwhile, the Employers and i-Connect team will then chase for payment on a priority basis, at least weekly.

In the event that non-payment of contributions continues, the Pension Fund Admin and Comms strategy allows the Fund to charge for any extra work carried out by officers at a rate of £100 per hour to encourage resolution. The Pensions Manager may also decide to send a formal letter to the employer on behalf of the Local Pensions Board to emphasise the importance of the issue and to encourage swift resolution.