

**CAMBRIDGESHIRE
PENSION FUND**



Pensions Committee

Date: 17 December 2015

Report by: Head of Pensions

Subject:	Payment of Employee and Employer Pension Contributions Policy
Purpose of the Report	To present the Payment of Employee and Employer Pension Contributions Policy to the Pensions Committee.
Recommendations	The Committee are asked to approve the attached Payment of Employee and Employer Pension Contributions Policy provided in the appendix to this report.
Enquiries to:	Joanne Walton – LGSS Pensions Governance and Regulations Manager Tel: 01604 367030 E-mail: jwalton@northamptonshire.gov.uk

1. Background

- 1.1 In line with the Pensions Regulator's Code of Practice number 14 (Governance and administration of public service pension schemes); the Fund has developed a Policy that sets out the mechanism for reporting breaches of the law.
- 1.2 That Policy, entitled "Reporting Breaches of the Law to the Pensions Regulator" was discussed at the Pension Committee in October and approved with immediate effect.
- 1.3 In order to ensure that Scheme Employers are fully aware of their legal responsibilities with regards to the payment of employee and employer contributions to the Pension Fund a Payment of Employee and Employer Pension Contributions Policy has been drafted. This policy will ensure that both Scheme Employers and Officers of the Fund have a clear process for dealing with non compliance. The Policy will also provide further strength and evidence to the Pensions Regulator that as a Fund, all the relevant controls are in place.
- 1.4 The Payment of Employee and Employer Pension Contributions Policy is attached in **Appendix 1**.

2. Legal Requirements

- 2.1 Regulation 67 and 69 of The Local Government Pension Scheme Regulations 2013 states that payment of both employee and employer contributions along with a schedule as specified by the Administering Authority must be submitted by the 19th day of the month following deduction as per overriding legislation, Regulation 49 of the Pensions Act 1995
- 2.2 Regulation 5 of The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 provides that the Administering Authority keep accurate records of transactions which emphasises the requirement for employers to submit accurate and timely schedules along with their payments.
- 2.3 The Pensions Regulator also enforces the legal obligation of employers to pay over pension contributions and provide a schedule as detailed in the Pensions Regulator's Code of Practice (14): Governance and Administration of public service pension schemes.

3. Monitoring and Process

- 3.1 A late payment (including contributions expressed as a monetary amount, referred to usually as a cash deficit payment) is constituted by either late submission of payment schedule and/or late payment of contributions to the Fund. Both schedule and payment is due to the Fund by the 19th of the month following the month of deduction. As default, monetary deficit payments should be paid on a monthly basis. Any arrangement to pay in other frequencies must be approved by the Head of Pensions.
- 3.2 The Policy sets out the process that should be enforced by Officers in order to seek resolution and ensure that future payments are made on time through the consequences of persistent late payments.
- 3.3 If a Scheme Employer submits a schedule and/or payment late for 3 consecutive months or 3 months in a rolling 6 month period, the Fund will reserve the right to charge an Administration Fee as well as charge interest. The Policy is designed to make Scheme Employers aware of this.
- 3.4 The Policy also outlines to Scheme Employers that appropriate action will be taken against them in the event of persistent reoccurrence.

4. Relevant Pension Fund Objectives

Perspective	Outcome
Funding and Investment	<ul style="list-style-type: none">• To ensure that the Fund is able to meet its liabilities for pensions and other benefits with the minimum, stable level of employer contributions.• To ensure that sufficient resources are available to meet all liabilities as they fall due.• To maximise the returns from its investments within reasonable risk parameters
Governance	<ul style="list-style-type: none">• To have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.• Ensure the Fund and its stakeholders have the appropriate skills and receive training to ensure those skills are maintained in a changing environment.
Communications	<ul style="list-style-type: none">• Promote the Scheme as a valuable benefit.• Deliver a clear and consistent message; that is simple, relevant and impactful, uses plain English throughout and engages all levels of stakeholders' understanding.• Provide clear information about the Scheme, including changes to the Scheme, and educate and engage with members so that they can make informed decisions about their benefits.• Seek and review regular feedback from all stakeholders about communication and shape future communications appropriately.• Look for efficiencies in delivering communications including through greater use of technology and partnership working.

Perspective	Outcome
Administration	<ul style="list-style-type: none"> • Provide a high quality, friendly and informative administration service to the Funds' stakeholders. • Administer the Funds in a cost effective and efficient manner utilising technology. • Ensure the Funds and its stakeholders are aware of and understand their roles and responsibilities under the LGPS regulations and in the delivery of the administration functions of the Funds. • Put in place standards for the Fund and its employers and ensure these standards are monitored and developed as necessary. • Ensure benefits are paid to, and income collected from, the right people at the right time in the right amount. • Maintain accurate records and ensure data is protected and has authorised use only. • Understand the issues affecting scheme employers and the LGPS in the local and national context and adapt strategy and practice in response to this.

5. Finance & Resources Implications

5.1 Resources will need to be prioritised if a breach occurs to ensure compliance with the Policy.

6. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with approving and enforcing the Policy as it demonstrates engagement with Scheme Employers of consequences of late payments and the process for liaising for a satisfactory resolution.		Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
If the policy is not enforced the likelihood of repeat late payments is greater resulting in the Scheme Employer being reported to The Pensions Regulator.	Red

7. Communication Implications

Direct Communications	Officers of the Fund and Scheme Employers are informed of requirements for paying contributions and consequences of non compliance. The Policy will be sent to all active employers and will also be sent as part of an introduction pack for new employers.
Website	The Policy will be published on the LGSS Pensions Service website.

8. Legal Implications

- 8.1 Failure to adhere to the Policy and to implement effective controls to prevent breaches of the law.

9 Consultation with Key Advisers

- 9.1 Consultation with the Fund's advisers was not required for this report.

10. Alternative Options Considered

- 10.1 Not applicable

11. Background Papers

- 11.1 Not applicable

12. Appendices

- 12.1 Appendix 1 – Payment of Employee and Employer Pension Contributions Policy.

Checklist of Key Approvals	
Is this decision included in the Business Plan?	Not applicable
Will further decisions be required? If so, please outline the timetable here	Not applicable
Is this report proposing an amendment to the budget and/or policy framework?	No
Has this report been cleared by Chief Finance Officer/Section 151 Officer?	Chris Malyon – 30/11/2015
Has this report been cleared by Deputy Head of Pensions?	Mark Whitby – 19/11/2015
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Hickford – 27/11/2015
Has this report been cleared by Legal Services?	Copy of report sent to Quentin Baker – 30/11/2015