



**Open Report on behalf of Andrew Crookham, Deputy Chief Executive and Executive Director - Resources**

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| Report to: | <b>LGPS Local Pension Board</b>                       |
| Date:      | <b>11 January 2024</b>                                |
| Subject:   | <b>Annual Employer Activity and Monitoring Report</b> |

**Summary:**

This paper provides the Board with information on employer activity and compliance with the regulations over the last year (November 2022 to October 2023).

**Recommendation(s):**

That the Board consider the report and if there is any further information they would like to see about employers within the Lincolnshire Pension Fund.

**Background**

1.1 This report brings to the Board information on the employers within the Lincolnshire Pension Fund. Employers have a range of statutory responsibilities which are monitored by the Fund and West Yorkshire Pension Fund as our administrators. This report summarises the last twelve months’ activity for the Board.

**2.0 Employer Activity**

2.1 Table one below sets out the changes in employer numbers seen over the period 1 November 2022 to 31 October 2023.

**Table one: Employer Activity**

|                                      |            |
|--------------------------------------|------------|
| New Academies and Education Trusts   | 5          |
| New Town and Parish Councils         | 1          |
| New Admission Bodies                 | 5          |
| <b>Total number of new employers</b> | <b>11</b>  |
| Employers Exited                     | 3          |
| <b>Total number of employers</b>     | <b>257</b> |

2.2 The fund has seen a small increase in employers joining the Fund. All new academy schools in Lincolnshire are required to join the Fund and during the previous 12 months there were five new academy schools. Parish and town councils have the option of joining the scheme. During the past year one new parish council has enrolled in the scheme.

2.3 New admission bodies arise when an existing scheme employer outsources provision of services to a third-party provider. Most commonly they are for the provision of catering or cleaning services in academy schools. These also make up the majority of exiting employers, when contracts come to an end or where the last active member leaves the employment of the admitted body.

### 3.0 Payment of Monthly Contributions

3.1 All employers have a statutory responsibility, as set out within the Pensions Act 1995, to ensure that they pay over contributions due to the Fund on a timely basis. The date these are due is set out in the Fund's Administration Strategy, which all employers have signed up to, and has been set as the 19th of the month following their payroll. The Fund considers an employer a 'late payer' if either the cash and/or the data is received after this date, or is incorrect.

3.2 The Fund has in place robust processes for monitoring the receipt of payments and data from employers, as well as checking the data for errors, raising queries, and identifying where further information is required from the employer (e.g. additional leavers' information). This is monitored and reported internally to pension fund managers on a monthly basis. A summary of all late contributions or data submissions covering the period from November 2022 to October 2023 is set out in table two below.

**Table two: Late contributions and data submissions**

| Month        | Payment of Contributions |      | Submission of Data |      | Payment of Contributions and Submission of Data |      | Data and Payments do not Match / Incorrect Rate |      |
|--------------|--------------------------|------|--------------------|------|---|------|---|------|
|              | Count                    | Rate | Count              | Rate | Count   | Rate | Count   | Rate |
| November     | 2                        | 0.7% | 3                  | 1.1% | 1   | 0.4% | 2   | 0.7% |
| December     | 7                        | 2.5% | 0                  | 0.0% | 1   | 0.4% | 1   | 0.4% |
| January      | 2                        | 0.7% | 5                  | 1.8% | 0   | 0.0% | 7   | 2.5% |
| February     | 3                        | 1.1% | 2                  | 0.7% | 1   | 0.4% | 4   | 1.4% |
| March        | 2                        | 0.7% | 0                  | 0.0% | 0   | 0.0% | 2   | 0.7% |
| April        | 1                        | 0.4% | 10                 | 3.6% | 0   | 0.0% | 2   | 0.7% |
| May          | 2                        | 0.7% | 11                 | 4.0% | 0   | 0.0% | 2   | 0.7% |
| June         | 4                        | 1.4% | 9                  | 3.2% | 2   | 0.7% | 0   | 0.0% |
| July         | 0                        | 0.0% | 1                  | 0.4% | 0   | 0.0% | 1   | 0.4% |
| August       | 1                        | 0.4% | 6                  | 2.2% | 2   | 0.7% | 4   | 1.4% |
| September    | 3                        | 1.1% | 5                  | 1.8% | 1   | 0.4% | 0   | 0.0% |
| October      | 2                        | 0.7% | 5                  | 1.8% | 0   | 0.0% | 2   | 0.7% |
| <b>Total</b> | <b>29</b>                |      | <b>57</b>          |      | <b>8</b>  |      | <b>26</b>                                       |      |

- 3.3 Overall, employer contribution compliance is good. The Fund has consistently seen late contribution rates at less than 5.0% (often significantly below), with no worrying trends being identified. There was a spike in late data submissions in April, May and June 2023. The reason for this was several employers changed their payroll providers on 1 April 2023, leading to a few months of poor performance whilst these relationships were built. During this period the employers in question and their payroll providers were regularly contacted to ensure any outstanding issues were dealt with promptly.
- 3.4 None of the breaches individually have been material and therefore have not been reported to the Pensions Regulator; however, they have been included en masse in the breaches register.
- 3.5 If any employer makes contribution payments or submits data late in three out of six months on a rolling basis, they will receive a fine, unless they are able to offer extenuating circumstances. Other occasions where an employer will be issued a fine are where there are persistent issues with data quality, or where particular issues of data quality are not resolved in a timely manner. The Fund generally sees three months as sufficient time for an employer to rectify issues, once notified. Fines are currently set at a minimum of £136. Table three sets out the number of fines issued over the period.

**Table three: Late contributions fines**

|          |          |         |          |           |         |
|----------|----------|---------|----------|-----------|---------|
| November | December | January | February | March     | April   |
| 1        | 0        | 0       | 0        | 0         | 0       |
| May      | June     | July    | August   | September | October |
| 1        | 0        | 3       | 0        | 3         | 1       |

- 3.6 Over this period nine fines were issued. Three of the fines related to late cash and/or data. This figure is low and is reflective of the employer contributions monitoring work completed on an on-going basis.
- 3.7 The remaining six fines related to data quality. Of the six instances relating to data quality, four related to areas of low concern and were dealt with via regular communications with the employer and payroll provider and have been successfully concluded. The two remaining cases, both relating to Multi-Academy Trusts (MATs), were more complex and required significant input from the WYPF Pension Fund Representative and Finance Technician in the Fund team to resolve. In both cases the issues are expected to be fully resolved by the end of 2023, and data quality standards restored to the previous good levels.

#### **4.0 Work with Employers**

- 4.1 Throughout the year the Fund and West Yorkshire, as the Fund’s administrator, have undertaken work with employers to assist them with their statutory responsibilities and improve the quality of their employee records.
- 4.2 The Fund held its annual employer meeting virtually in February 2023. The event covered: a general fund update, the view from an employer representative on the Pension Board, updates from the shared service and on administration issues, and a presentation on shared cost AVC’s. Attendance at these events has decreased in recent years, therefore we are currently consulting with employers to understand how they would like these events will operate in the future.
- 4.3 The West Yorkshire Employer Relations Team deliver a wide range of online training sessions based on themes to prepare employers for upcoming requirements and responsibilities. These courses are offered to all employers and cover a wide range of topics from general training ranging from an introduction to the LGPS and employer responsibilities to specific training on final and pensionable pay and dealing with pension queries from the administrator. Appendix A provides details of the courses delivered over the last 12 months. West Yorkshire also run an employer engagement forum which is held on an ad hoc basis this covers key operational messages as well as provides information and guidance from officers at WYPF and or relevant guest speakers.
- 4.4 In addition to the training offered to all employers, the Employer Relations Team work directly with employers and payroll providers to offer one to one support and training. Table four sets out details of formal meetings held, although there will be a significant amount of informal contact with employers throughout the year.

**Table four: Employer Relations Team Activity**

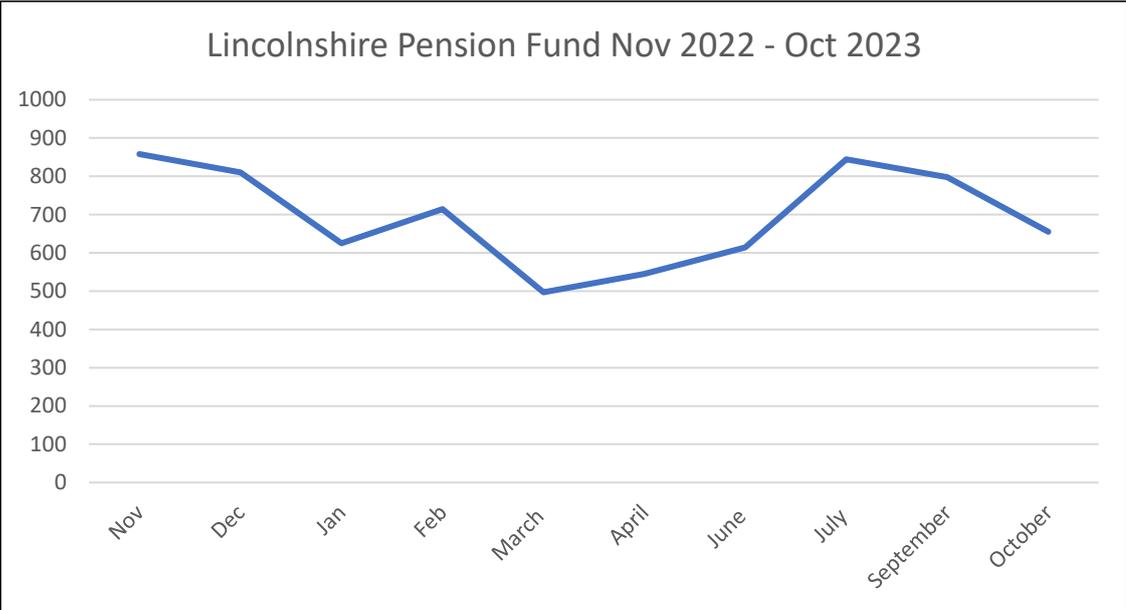
| <b>Activity</b>                   | <b>Number</b> |
|-----------------------------------|---------------|
| Payroll provider liaison meetings | 10            |
| Employer support (online)         | 34            |
| Employer support (in person)      | 7             |
| Member meetings (in person)       | 4             |
| LPF members only presentations    | 1             |

- 4.5 Over the past 12 months one of the main objectives of the Employer Relations Team has been to ensure that all employers have a discretionary policy in place and that West Yorkshire hold a copy of each employer’s policy. It is a regulatory requirement for all LGPS employers to have and publish a policy on the mandatory discretionary areas. These apply to all current active member around the following areas: shared cost additional pensions contributions (SCAPC); flexible retirement; whether to waive actuarial reduction where a member takes benefits before NPA; and whether to award additional pension (cost to employer). In addition, they include whether to apply the 85-year rule to take benefits between 55 and 60 on voluntarily retirement

and whether to agree to waive actuarial reduction on compassionate grounds in respect of members who have pre 2014 membership. By October 2023, policies had been received from 89% of employers (an increase from 70% a year earlier). Work will continue with the outstanding employers to ensure policies are in place and held by West Yorkshire.

4.6 The West Yorkshire team have been targeting employers with outstanding leavers and working closely with them to reduce those numbers. Outstanding leavers relate to members where employers have notified WYPF that they have left via the monthly data file, however an electronic leaver form has not been received therefore stopping WYPF from being able to update the status of the record, and enable any refund or deferred benefits for the member calculated. As a result of this targeted work, during the period, there has been almost a 24% reduction in the number of outstanding leavers and the total number of outstanding leavers is around 3% of the total active membership. Table five shows the outstanding volumes over the last year.

**Table five: Outstanding leavers**



**5.0 2022 Triennial Valuation Data Review**

5.1 As part of the 2022 triennial valuation, the actuary provided details on the quality of data submitted to them to complete the valuation. This reports data quality at an overall fund level and at individual employer level. The purpose of the report is to use the data submitted as part of the 2022 triennial valuation to ascertain if any employers are flagged as a material concern across a wide range of criteria.

5.2 Overall at fund level Lincolnshire Pension Fund had an error rate of 1.1%. A copy of the actuary’s report is attached at Appendix B.

- 5.3 The individual employer data analysis provided to the Fund has been used to target intervention at those employers who were flagged as having poor quality data. After further analysis thirty-one employers were identified for further work based on their individual employer data quality ranking, employer size and knowledge of the employer.
- 5.4 Pension Fund Representatives from WYPF were asked to produce membership audits for the employers identified. These were sent out to employers in September 2023, and employer engagement with these has been positive.
- 5.5 The actuary will provide this type of reporting after each triennial valuation. The Fund will use this to build up a more detailed picture to target future work with employers.

**Conclusion**

- 6.1 This report provides the Board with an overview of employer activity and compliance with the regulations over the period November 2022 – October 2023. Employer engagement continues to be positive, and the performance of the Fund’s employers is largely good.

**Consultation**

**a) Risks and Impact Analysis**

The Pension Fund has a risk register which can be obtained by contacting the Head of Pensions.

**Appendices**

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| These are listed below and attached at the back of the report |   |
| Appendix A  | West Yorkshire Employer Training Courses      |
| Appendix B  | Barnett Waddingham - Data Quality Report 2022 |

**Background Papers**

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

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