

Analysis of Receipt of Contributions from Employers for 2016/2017

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Executive Portfolio Holder: Not applicable

Division and Local Not applicable

Member:

1. Summary

- 1.1 To update the Board's on the effectiveness of the Fund in collecting pensions contributions from employers during the 2015/2016 financial year.

2. Issues for consideration

- 2.1 The Board is asked to note the information within the report and consider whether there has been any material failure to pay contributions by an employer that should be reported to The Pensions Regulator (TPR).

3. Background

- 3.1 Under the LGPS Regulations 2013 employers are required to pay to the Administration authority the contributions stated in the Fund Actuary's Rates and Adjustments Certificate as employer contributions and the employee contributions that have been deducted from members' pay. Typically contributions are due on or before the 19th of the following month to which the contributions are applicable. Under the Regulations the Administering Authority is entitled, but not required, to charge interest on late payments at 1 per-cent above base rate.
- 3.2 In TPR's Code of practice No. 14, "Governance and administration of public service pension schemes" it states "Where employer contributions are not paid on or before the date they are due under the scheme and the scheme manager has reasonable cause to believe that the failure is likely to be of material significance to the regulator in the exercise of any of its functions, the scheme manager must give a written report of the matter to the regulator as soon as reasonably practicable".

3.3 Within the guidance section of TPR's code it indicates that in deciding whether a failure to pay is likely to be of material significance to the Regulator the Administering Authority should consider:

- the cause and circumstances of the payment failure:
- what action the employer has taken as a result of the payment failure, and
- the wider implications or impact of the payment failure.

4. 2016/17 Results

4.1 During 2016/2017 financial year (prior year comparative in brackets) there were 140 (104) instances of late payment, making up 8.63% (6.74%) of payments due. The corresponding figures for more than 10 days beyond due date were 67 (48) instances and 4.13% (3.11%) of payments due.

4.2 Instances of failure to pay by the due date were spread over 55 (30) employers.

4.3 Based on average monthly contributions from employers it is estimated that by value 97.59% (99.66%) of contributions were received on or before due date.

4.4 All contributions due during the year have been received.

5. Consultations undertaken

None

6. Financial Implications

5.1 Significant instances of late payment could have a knock on impact to the Fund's cash flow and investment returns.

7. Background Papers

None

Note For sight of individual background papers please contact the report author.