

Essex Pension Fund Strategy Board	EPB/07/15
Date: 8 July 2015	

Year end data submissions and Annual Benefit Statements

Report by the Director for Essex Pension Fund and Head of the Essex Pension Fund
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1. Purpose of the Report

- 1.1 To update the Board on 2014/15 year end data submissions by Fund employers and the likelihood of delays in distributing Annual Benefit Statements to active scheme members.

2. Recommendations

- 2.1 That the report be noted.
- 2.2 That a new risk, reflecting the likelihood of delays in distributing Annual Benefit Statements to active scheme members, be agreed and added to the Fund's risk register.
- 2.3 That the verbal update on this matter presented by Fund Officers at the meeting be considered.

3. Background

- 3.1 At its December meeting the Board considered a report on year end returns. It was noted that the end of year process is a very busy period for Fund officers who receive data from around 500 fund employers. The process is not straightforward as the data first has to be checked for consistency and sent back to the employer for correction if the data is not correct.
- 3.2 With the introduction of the new CARE scheme in April 2014, the end-of-year data from employers has taken on even more significance. For 2014/15 onwards, the actual pensionable pay figure provided by the employer as part of the end-of-year return is used to calculate the actual pension accrued by the member for that scheme year.
- 3.3 Furthermore, the Fund has a statutory duty to issue an annual benefit statement to over 49,000 active members by 31 August each year and this leaves a relatively short time to check and upload around 500 end-of-year returns onto the administration system.
- 3.4 The Board noted arrangements which included regular Fund communications from January 2015 highlighting the importance of the year end return and the need for employers who may encounter difficulties to engage with Fund officers.
- 3.5 The Board agreed a policy which enabled a fine of £250 to be issued to employers who neither provided the data on time nor engaged with Fund officers.
- 3.6 Finally, the Board noted that ultimately the Fund and its employers need to be strongly positioned to meet the requirements of the 2016 Actuarial Valuation process.

4. Experience

- 4.1 The new CARE reporting requirements have been challenging for all Fund employers. Payroll systems (either in house or external) have required significant alterations (a “patch”) to enable the relevant data to be produced. Whilst a number of employers have used payroll systems that have been “patched” in time, more have not.
- 4.2 The provisional position as at the end of June is as follows:

Employers submitting returns on time	28%
Employers submitting returns late	52%
Employers from whom a return is outstanding	20%
Total	100%

4.3 The new CARE arrangements have meant that more data than usual has been required to be sent back to employers for correction. Furthermore late submission has created significant pressure on internal deadlines and currently Fund officers are working through a large backlog.

4.4 Most of the outstanding returns are due from smaller employers.

4.5 A verbal update will be given at the meeting.

5. Impact on Annual Benefit Statements

5.1 Under the LGPS Regulations, Funds are required to distribute Annual benefit Statements to active scheme members by 31 August each year. In light of the issues highlighted above, it is the view of Fund officers that, for 2015, it is unlikely that this deadline will be met.

5.2 As a consequence a new risk is set out below.

Category	Objective	Risk Ref:	Description of Risk of not Achieving the Objective	Residual Impact	Residual Probability	Residual Risk	Previous risk score	Risk Owner	Comments, Actions and Recommendations
Administration	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need	A18	Unable to produce Annual Benefit Statements for active Scheme Members in line with Regulatory deadlines due to lack or late provision of data from employers	4	3	12	n/a	Jody Evans	A significant number of Fund employers have encountered difficulties providing a timely year end return after the first year of the Career Average benefit structure. This inhibits the Fund's ability to meet the Regulatory ABS deadline.

5.3 It is recommended that the above risk is added to the Fund's Risk Register.

6. Link to Essex Pension Fund Objectives

6.1 Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need

7. Risk Implications

7.1 Highlighted above at 5.2

8. Communication Implications

8.1 Ongoing.

9. Finance and Resources Implications

- 9.1 The Fund is currently paying overtime to officers on the system team to address the backlog.

10. Background Papers

- 10.1 Agenda item 7, Board meeting, December 2014.