

Essex Pension Fund Strategy Board	PSB/28/15
date: 16 December 2015	

Year-end data submissions and Annual Benefit Statements

Report by the Director for Essex Pension Fund and Head of the Essex Pension Fund Enquiries to Kevin McDonald on 033301 38488 and Jody Evans on 033301 38489

1. Purpose of the Report

- 1.1 To further update the Board on 2014/15 year end data submissions by Fund employers and the distribution of Annual Benefit Statements to active scheme members.
- 1.2 To inform the Board of plans for the 2015/16 year-end data submissions and Annual Benefit Statements exercise.
- 1.3 To ask the Board to approve a charging policy for late 2015/16 year-end data return submissions.

2. Recommendations

It is recommended that the Board agree to:

- 2.1 note the update on the 2014/15 year-end data submissions and Annual Benefit Statements exercise;
- 2.2 note the plans for the 2015/16 year-end data submissions and Annual Benefit Statements exercise; and
- 2.3 consider a scale of charges (to be circulated at the meeting) for the late receipt of 2015/16 year-end data return submissions.

3. Background

- 3.1 At its December 2014 meeting the Board received a report on year-end data submissions, the issues caused by late submissions by employers given the requirement to send out annual benefit statements by 31 August and HMRC annual allowance requirements.
- 3.2 The Board agreed a policy which enabled a charge of £250 to be issued to employers who neither provided the data on time nor engaged with the Fund.
- 3.3 The Board noted that the Fund and its employers need to be strongly positioned to meet the requirements of the 2016 Actuarial Valuation process.
- 3.4 At its July 2015 meeting the Board received a further report on the progress of the 2014/15 year-end data exercise and the anticipated impact on the issue of annual benefit statements to all active members by the statutory deadline of 31 August. Members agreed a target for 95% of active members to receive their annual benefit statements by the 31 August statutory deadline.

4. 2014/15 Experience

- 4.1 The 2014/15 year-end data exercise did not go as smoothly as had been hoped, despite the introduction of the £250 charge for employers not engaging with the Fund.
- 4.2 28% of employer returns were submitted on time.
- 4.3 Charges were issued to 20 employers amounting to £5,000.
- 4.2 A significant amount of additional resources were used in an effort to achieve the agreed target and in the end 93% of active members received their annual benefit statement by the 31 August deadline.
- 4.4 The additional resources expended or diverted into achieving 93% of active members receiving their annual benefit statements by the deadline were significant; the overtime cost amounted to £25,000. The opportunity cost of diverting existing resources was estimated to be in excess of £45,000.
- 4.5 Officers discussed the experiences of the 2014/15 exercise in order to benefit from the lessons learnt and plan for the 2015/16 exercise. The clear outcome of those discussions was that early engagement with the right people at employers was crucial to improving the collection of data from employers in future years.
- 4.7 It was felt that the potential to incur a charge of £250 for not engaging with the fund had not been a sufficient deterrent for employers and a revised approach to this is needed for 2015/16

4.8 As at 30 November 2015, four employers had failed to submit a return. This resulted in a combined total of 22 active members still awaiting an ABS for 2014/15. Fund officers have since written to each of the Birkin Cleaning Services Ltd, Harlow Community Transport, Southend YMCA Community School and Wates Living Space (Maintenance) Ltd alerting them to the fact that the Fund has reported them to the Pension Regulator. Fund officers have also written to each of the 22 active members highlighting that the absence of their Annual benefit Statement is due to the failure of their employer to comply with the Fund's data requirements.

5. Plans for 2015/16 exercise

Early engagement

5.1 With 2016 being a valuation year, it is crucial that delays are avoided. The Director for Essex Pension Fund and Head of Essex Pension Fund delivered a presentation on this year-end matter to S151 officers of the major tax raising bodies on 19 November. The subsequent actions currently planned include;

- an earlier start to engagement;
- early communication at Chief Executive/Director of Finance level in order to stress the importance of this exercise and get early 'buy in' from employers at a high level;
- requiring confirmation of receipt from employers of all fund communications;
- the earlier release of the spreadsheets and guidance;
- a series of workshops to be held in February with attendance mandatory for employers; and
- close monitoring of responses with e-mail/phone/visit follow up where no response or there are concerns.

Implications for Employer Forum

5.2 The fund holds an employer forum each year and the last one was held in June 2015 and included an indicative interim report by the actuary. Officers feel the focus of employer engagement should be as in 5.1 above and the next employer forum should be based around the release of the 2016 valuation results.

2015/16 charging policy

5.3 A large number of employers submitted their returns late in 2014/15 and this had a significant detrimental impact on the overall exercise.

5.4 The policy to charge employers, not engaging with the fund, a flat charge of £250 for the 2014/15 exercise did not appear to act as a significant deterrent.

5.5 It is felt that a ‘per member’ fine would be a more effective deterrent. This means the larger the employer the larger the potential charge and this should act as a better deterrent and encouragement for employers to comply with the fund’s requirements.

5.6 A scale of charges will therefore be presented at the PSB meeting for Members to consider.

6. Background papers

6.1 Item 7 report of 10 December 2014 meeting of the Board

6.2 Item 7 report of 8 July 2015 meeting of the Board

7. Link to Essex Pension Fund Objectives

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

8. Risk Implications

8.1 Under the LGPS Regulations, Funds are required to distribute Annual benefit Statements to active scheme members by 31 August each year. As a result of the issues experienced with the year-end data exercise in 2014/15 a risk was identified in July 2015 and added to the fund’s risk register, Ref A18. At that time, the risk was allocated a residual risk score of 12 (Red).

8.2 In light of the proposed measures and work detailed in this report in respect of the 2015/16 Actuarial valuation cycle and ABS arrangements, this risk is currently has a residual score of 8 (amber).

Objectives Area at Risk	Objective at Risk	Risk Ref	Description of Risk of not Achieving the Objectives	Gross Impact	Gross Probability	Gross Risk score	Possible Actions	Residual Impact	Residual Probability	Residual Risk Score
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	For 2015/16 exercise communicate timetable and requirements to employers in advance, and encourage employers to engage with Fund Officers.	4	2	8

9. Finance and resource implications

- 9.1 The finance and resource implications for 2014/15 are highlighted in paragraph 4.4.

10. Communication Implications

- 10.1 Fairly significant resources will be required to ensure sufficient proactive engagement with fund employers. This will be taken from redeploying existing resources as it is in the fund's interests to ensure the year-end data return process goes smoothly. The fine income generated is intended to cover any further additional resources required if the process does not go as smoothly as hoped.