

Essex Pension Fund Board	EPB/34/14
Date: 10 December 2014	

Charging policy for late submission of end of year data

Report by the Head of the Essex Pension Fund

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1. Purpose of the Report

- 1.1 To highlight the issues caused by the late submission of end-of-year data by a minority of Fund employers.
- 1.2 To ask the Board to approve a proposed charging policy to address this matter.
- 1.3 To seek the Board's agreement for a review of areas where additional work is being generated by the actions of some employers and whether it is desirable or practical to make a charge in certain circumstances.

2. Recommendations

It is recommended that the Board agree to:

- 2.1 note the issues caused by the late submission of end-of-year data.
- 2.2 approve the proposed policy for charging employers (as set out in paragraph 5.4) for the late submission of end of year data in certain circumstances.
- 2.3 officers, in conjunction with the Independent Governance & Administration Adviser, undertake a review of areas where additional work is being generated by the actions of some employers and bring a further report to a Board meeting for consideration.

3. Background

- 3.1 The end of year process is a very busy period for Fund officers who receive data from over 430 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 over 430 end-of-year returns onto the administration system.
- 3.4 The late or non-submission of end-of-year data by employers also delays or prevents the Fund from running HMRC annual allowance calculations for members which are required to ascertain if a member may be liable to a tax charge on their benefit accrual.
- 3.5 Critically, the end-of-year data is necessary for the Actuary to assess liabilities as part of each triennial Valuation.
- 3.6 In order to give time for the checking and uploading of returns, the Fund gives employers a deadline for submitting the return which usually falls during the second half of April.
- 3.7 If an employer either does not send in an end of year return on time or submits an incorrect return then this causes considerable additional work for Fund officers. It also jeopardises the production of an annual benefit statement for that employer's LGPS members.
- 3.8 As part of the 2013/14 end of year process, the Fund notified employers that late and/or incorrect submissions could, in future, be subject to a late submission penalty of up to £250. In spite of this, a significant number of employers (114) did not submit their returns correctly and/or on time.
- 3.9 Three employers had still not submitted a correct return by mid-July and the Fund was, therefore, unable to produce an annual benefit statement for the LGPS members of those employers.
- 3.10 It is imperative that the Fund receives timely and correct end-of-year data from all employers in order that it can calculate a scheme member's correct pension entitlement and reconcile all payments received to ensure these are correct and send out statements when completed.

4. Rationale for a new approach

- 4.1 The late submission of annual data is not a new development, however the benefit structure of the LGPS changed on 1 April 2014 and the importance of timely communication with employers at each Actuarial Valuation is paramount.
- 4.2 Year ending 31 March 2015 is the first under CARE, and so the engagement on new requirements is essential.
- 4.3 The date of the next Actuarial Valuation is 31 March 2016. It is crucial that delays in a Valuation year are avoided.
- 4.4 The rationale for a new approach is that 2014/15 is used to maximise employer engagement in order to:
- ensure that employers are fully aware of the revised CARE reporting requirements;
 - enable the timely production of annual benefit statements for all active scheme members; and
 - that both the Fund and its employers are strongly positioned to meet the requirements of the 2016 Actuarial Valuation process.

5. Proposed approach & policy

- 5.1 The Fund plans for employer compliance with its deadlines.
- 5.2 Fund officers are always willing to assist employers which engage with the Fund and make a serious effort to comply with deadlines and this will continue.
- 5.3 However, a minority of employers do not engage with the Fund appropriately. This takes the form of either repeatedly submitting inaccurate data or in some cases submitting no return at all. It is these employers the Fund intends to target with the proposed policy so that engagement improves.
- 5.4 It is therefore proposed to introduce a policy whereby it will ultimately impose a charge of £250 on such employers which are unable or unwilling to comply with the Fund's requirements.
- 5.5 The amount of additional work generated by late or inaccurate submission of data will vary from case to case, however the £250 charge is designed to act as an incentive for employers to comply with the Fund's requirements.
- 5.6 The proposed outline timetable is set out overleaf.

Date	Event
January 2015	Initial communication to all employers outlining Year end data submission deadline and the charge that applies if deadlines are not met.
Late February / early March 2015	Follow up communication
Late March / early April 2015	Reminder communication
30 April 2015	Deadline
May 2015	Invoices raised to employers failing to submit data
July 2015	Board scorecard to include measure on the number of defaulting employers, and charges levied.

6. Review of other similar issues

- 6.1 There are a number of other areas where the actions of some employers are causing additional work for Fund officers.
- 6.2 It is recommended that the Board agrees to the officers' intention to review these areas, in conjunction with the Independent Governance & Administration Adviser and consider whether it is desirable or practical to make a charge in certain circumstances. A report will be brought to a subsequent Board meeting.

7. Link to Essex Pension Fund Objectives

- 7.1 Approval of this policy is consistent with the following objectives:
- Provide a high quality service whilst maintaining value for money
 - Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need
 - Aim for full appreciation of the pension scheme benefits by all scheme members and prospective scheme members
 - Communicate in a friendly, expert and direct way to our stakeholders, treating all our stakeholders equally

8. Risk Implications

- 8.1 The approval of this policy will help to minimise the risk of scheme members not receiving the correct pension entitlement due to the late or non-submission of correct end of year data by their employer.
- 8.2 Approval of this policy will also help to minimise the risk of scheme members not receiving an annual benefit statement.

9. Communication Implications

- 9.1 Once approved, the policy will be brought to the attention of all Fund employers as highlighted in the timetable at 5.6.

10. Finance and Resources Implications

- 10.1 There are not expected to be any significant finance or resource implications as a result of this Statement of Policy being approved.

11. Background Papers

- 11.1 None