

LONDON BOROUGH OF LEWISHAM PENSION FUND

Reporting and Monitoring Late Payments Policy

Reporting and Monitoring Late Payments Policy

1. Overview of Code 6 - The Code of Practice

- 1.1. This code and supporting guidance sets out how managers of personal pension schemes should meet their obligations and duties to:
 - monitor the payment of contributions to be paid under direct payment arrangements
 - provide the necessary information to enable members to check contributions, and
 - report material payment failures to the regulator and to members within a reasonable period.
- 1.2. The code and supporting guidance are not intended to prescribe the process for every scenario, they do however provide principles, examples and benchmarks against which managers can consider whether or not they are reasonably complying with and have understood their duties and obligations.
- 1.3. To support increased engagement with members, managers should provide payment information that will enable the member to understand what has been paid to the scheme and by whom, and to identify whether contributions that fall to be paid to the scheme under the direct payment arrangement have been received by the scheme. This will enable members to take steps to resolve any payment problems with the employer at the earliest opportunity.
- 1.4. Managers running personal pension schemes should ensure they have in place commercially viable, proportionate and risk-based processes which enable identification of material payment failures, through effective monitoring of contributions that fall to be paid under direct payment arrangements. Where payment failures have been identified they should also take steps to resolve the failure and any disputes that arise about contributions.
- 1.5. The term 'payment failure' refers to a contribution payable under the direct payment arrangements which has not been paid in full on or before its due date. The term 'material payment failure' refers to a payment failure which is likely to be of material significance to the regulator in the exercise of its functions.

2. Monitoring contributions

Administration - To explain how managers will have access to information such as:

- *what contributions are due to be paid by the employer and on behalf of the member*
 - *the pensionable pay that contributions are based upon (where this is the case), and*
 - *the due date for payment of contributions*
- 2.1. Lewisham Council and some Non-SLA Schools – Pensions use an interface called I Connect. This transfers data extracted from payroll and writes it back to the pensions database, Altair, on individual member records. I Connect provides various reports containing information relating to monthly and cumulative pensionable pay, employee

contributions and employer contributions. The file which holds the extracted data from payroll is held on SharePoint which all Pensions staff have access to.

2.2. Admitted and Scheduled Bodies and Non-SLA Schools – Employers who run their own payroll provide monthly returns in the form of a spreadsheet providing:

- monthly and cumulative pensionable pay for the main section
- monthly and cumulative pensionable pay for the 50:50 section
- employee contributions
- employer contributions
- Details of any payments made in respect of an APC
- Details of any refunds issued through payroll

2.3. The returns are held on SharePoint which all Pensions staff have access to.

2.4. Lewisham Pension Fund requires all contributions are received by the 19th day of the month following the payroll period.

3. Scheme set up

Administration: - To include details of setting up the scheme correctly, understanding the documentation that details the contributions due to be paid, and putting in place processes to facilitate the transparent movement of payment information between the employer, managers and member, will enable the effective monitoring of contributions

3.1. All member contributions are deducted directly from their salary. Employer contributions are a percentage of a members pensionable pay and are calculated during the payroll process. Managers have read only access to payroll and can look up contribution data on individual payroll records.

3.2. Lewisham Council – The pension team use I Connect interface which transfers payroll data between payroll and pensions.

3.3. Admitted and Scheduled Bodies and Non-SLA Schools – The pensions team provides the return template to all employers. This contains the employer contribution rate due and the bandings for employee contributions. Notes accompany the spreadsheet to enable employers to understand what information they should provide. The completed spreadsheet is sent to pensions each month by email.

4. Monitoring the payment of contributions

Administration: - To include processes that are in place to meet the duty to monitor the payment of contributions into the scheme so that they can identify underpayments or overpayments as well as non-payments.

4.1. Lewisham Council – payments that are received into the pension bank account are reconciled on a monthly basis to the pension returns submitted by the Admitted and Scheduled Bodies and Non-SLA Schools.

4.2. Admitted and Scheduled Bodies and Non-SLA Schools – A finance spreadsheet has been created to monitor the payment of all pension contributions into the scheme.

The first section details the date the monthly spreadsheet was received by the pensions team and the amount of employee and employer contributions due.

- 4.3. The second section details when payment was received in the pension fund bank account and the amount paid. On completion of the first and section sections, the third section automatically populates information detailing if the monthly return and payment was received on time or, if late, how many days it was late. It also provides the amount of any variances between the amount due, and the amount paid.

5. Taking action to resolve overdue contributions

Administration and Investment: - To include a process of action to be taken where a payment failure occurs and how managers should contact the employer promptly to alert them to the failure and to seek to resolve the overdue payment. Where reasonable, managers should try to find out and record the causes and circumstances of the payment failure.

- 5.1. Admitted and Scheduled Bodies and Non-SLA Schools – The Investment team reconcile the payments that we have received into the pension bank account to the pension returns each month. Any variances or late payments to be queried with the employer by the Investment Team by email, copying in the Pensions Team and making comments on the spreadsheet. Pensions Team to action any responses from the Employer where this requires member records to be updated.
- 5.2. In cases of no response a chase email to be sent by the Investment Team after one month and then a second chaser the following month. If still no response refer case to the Pensions Manager who will contact the Employer by telephone.

If a return has not been sent or incorrect information provided the Administration team will contact the employer to chase them for the missing return or to provide the correct data.

6. Providing information to members

Administration - To explain how to provide a significant amount of information to the member both at the start of membership and on an ongoing basis while membership continues. This includes providing the member with the terms and conditions of the scheme and certain key pieces of information, such as the value of any contributions payable by the member

- 6.1. Each member is sent a Statutory Notification on joining the LGPS. This includes details of the date of joining the scheme, job title, hours worked and contribution rate. It provides an explanation of pensionable pay and links to forms they need to complete such as a New Starter form and A Death Grant Expression of Wish form. It also provides our website address and a link to our secure online portal MSS. Right of appeal information is also provided as well as our privacy notice.
- 6.2. Contribution rates are also detailed on the members payslip (Lewisham) which informs them of any changes to their contribution rate.

- 6.3. Annual benefit statements (ABS) are sent to all active members and deferred members. This provides an estimate of pension benefits as at the 31st March and also a projection to NPA. Notes accompany the ABS explaining how pension benefits are calculated and details of any regulation changes.
- 6.4. Newsletters are sent to members to inform them of regulation changes as and when required.

7. Reporting material payment failures

Investment - To explain how the material payment failures are reported to the regulator and members within a reasonable period. To include a definition of a material payment failure.

- 7.1. Once a material late payment is overdue by more than six months it will be reported to the Pension Regulator withing six weeks of the end of the six month period.
- 7.2. A material payment is a payment that is more than 50% of the month's normal pension contribution.
- 7.3. The Pension Regulator will be advised by email, see note 11.

8. Material payment failures that need reporting

Investment and Administration - To include circumstances when managers must report material payment failures to the regulator and members within a reasonable period of a material payment failure arising after the due date.

- 8.1. If no payments have been received from an Admitted or Scheduled Bodies or Non-SLA Schools for six months the case will be referred to the Director of Finance.
- 8.2. A material payment is a payment that is more than 50% of the month's normal pension contribution.
- 8.3. If a material payment is over six months overdue then this will be reported to the pension regulator, the employer and the employees.

9. Reasonable period for reporting to the regulator

Investment and Administration - To include a reasonable period for reporting to the managers having reasonable cause to believe that a material payment failure exists.

- 9.1. Once a material late payment is overdue by more than six months it will be reported to the Pension Regulator withing six weeks of the end of the six month period.

10. Reasonable period for reporting to members

Administration - To include that if managers have reasonable cause to believe that a material payment failure exists they should report to members within 30 days of having reported to the regulator.

- 10.1. Once a material late payment is overdue by more than six months it will be reported to the members withing six weeks from the end of the six month period.

11. Method of reporting to the regulator

Investment - Set up the regulator standard reporting for material payment failures in terms of content, format and channel and managers should refer to separate guidance for more details including the data standards which managers should comply with.

- 11.1. Any breaches should be reported to the Pension Regulator by email.
- 11.2. Contact details are listed below:

Website: www.thepensionsregulator.gov.uk
Phone: 0345 600 2475 Monday to Friday – 8am to 6pm
Email: cande@autoenrol.tpr.gov.uk
Post: The Pensions Regulator
PO Box 342
Runcorn