



SOUTH YORKSHIRE
PENSIONS AUTHORITY

Subject	Monitoring of Contributions Payments	Status	For Publication
Report to	Local Pensions Board	Date	11 December 2019
Report of	Head of Finance & Corporate Services and Head of Pensions Administration		
Equality Impact Assessment	Not Required	Attached	N/a
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1 Purpose of the Report

- 1.1 To update the Board on current procedures for the monitoring of timely payment of contributions from employers and to provide details of contributions paid late and action taken in the financial year as at the end of quarter two.

2 Recommendations

- 2.1 Members are recommended to:
- a. Note the actions being taken in relation to monitoring of contributions payments.**

3 Link to Corporate Objectives

- 3.1 This report links to the delivery of the following corporate objectives:

Customer Focus

To design our services around the needs of our customers (whether scheme members or employers).

Monitoring of contributions payments helps to ensure that employers are fulfilling their obligation to pay over the contributions collected from the scheme members.

Effective and Transparent Governance

To uphold effective governance showing prudence and propriety at all times.

We have a responsibility to monitor timely payments of contributions from employers and take action where necessary. Reporting on this to the Board ensures that this process is transparent and subject to scrutiny.

4 Implications for the Corporate Risk Register

- 4.1 The actions outlined in this report have no direct implications for the specific risks in the Corporate Risk Register. However, the monitoring of contributions payments and taking action as required is an important aspect of the Authority's overall risk management in relation to employer covenant.

5 Background and Options

- 5.1 Employers are required to make payments of all employer and employee contributions to the Authority within statutory deadlines – meaning that payment must be made by the 19th of the month following the month to which the contribution deductions relate.

- 5.2 Where payments are received later than the deadline and the Authority considers that the late payment is of material significance, we have a duty to notify the Pensions Regulator of the employer's failure to meet the required deadline.

Current Procedures for Monitoring of Contributions Payments

- 5.3 Employers are required to submit a remittance advice of contributions along with their payment each month and this is processed as part of the Monthly Data Collection requirements.
- 5.4 The contributions received from each employer are recorded and reconciled to their monthly data submissions by the Finance department. Any discrepancies and late or missing payments are investigated in conjunction with the Data team, including contacting the relevant employers and/or their payroll providers as necessary to ensure that payments are made.
- 5.5 A separate record is kept of any payments of contributions that are received later than the 19th of the month. Late payment interest charges are calculated at 1% above the Bank of England base rate and where this exceeds the current de-minimis threshold of £50, an invoice is issued to the employer for this charge.

Contributions Paid Late in 2019/20

- 5.6 The following table shows a summary of the number of employers, analysed by size, that have made a payment of some or all of the due contributions after the 19th of the month in respect of the period April to September 2019.

Late Payment of Contributions - April to September 2019				
Employer Size - Number of Active Members	1 Month or Less	1 to 2 Months	2 to 3 Months	3 to 6 Months
[0 to 50]	91	38	12	1
[50 to 100]	17	8	1	0
[100 to 260]	4	3	2	1
[1,000 to 2,000]	1	0	0	0
[4,000 to 5,000]	1	1	0	0
Total	114	50	15	2

- 5.7 In the vast majority of cases, the amounts paid late are relatively small amounts, often relating to only one element of the contributions due, such as an adjustment or an amount in respect of lump sum deficit payments.

- 5.8 There have been three instances where late payment interest has been charged to employers as follows.

	Number of Active Members	Total Interest Charged	Details
Horizon Community College	122	£65.64	Contributions for June - a total of £42,783 due on 19/07/2019, paid on 20/08/2019.
Barnsley Premier Leisure	144	£81.97	Contributions for June, July and August - a total of £29,917 - were all paid on 15/10/2019.
South Yorkshire Fire Authority	259	£61.62	Contributions for October - a total of £128,520 due on 18/10/2019, paid on 28/10/2019.

Future Developments

- 5.9 A separate report has been presented to the Board in relation to the changes to the Administration Strategy reflecting the proposal to move to Direct Debit collection of contributions with effect from 1 April 2020. This should reduce the risk of late payment of contributions in future as the collection of contributions will be driven by the monthly data submission and collected on or before the 19th of each month.
- 5.10 In the event of an employer failing to make a data submission on time, it is proposed that contributions will still be collected (usually on the basis of the previous month's return) to avoid late payment situations.

6 Implications

- 6.1 The proposals outlined in this report have the following implications:

Financial	No direct implications for the Authority; the monitoring of employer payments is one of the ways in which the Authority ensures that the cash flows due to the Pension Fund are received as they fall due.
Human Resources	None
ICT	None
Legal	The payment of contributions to the administering authority within 19 days of the end of the month to which they relate is a statutory requirement for employers and it is the administering authority's duty to monitor this and report on breaches of material significance to the Pensions Regulator.
Procurement	None

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Background Papers	
Document	Place of Inspection
None	