



Haringey Council

Agenda item:

Pensions Committee

On 16 September 2010

Report Title: Late payment of contributions

Report of **Director of Corporate Resources**

Signed : *J. Pauler* 7/9/10

Contact Officer : **Nicola Webb – Corporate Finance**
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Wards(s) affected: **All**

Report for: Non key decision

1. Purpose of the report

- 1.1 To report to the Committee on the extent of late payment of employee and employer contributions to the Fund and to consider actions to improve the situation as requested by the Pensions Committee at its meeting in June 2010.

2. Introduction by Cabinet Member

- 2.1 Not applicable.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

- 3.1 Not applicable.

4. Recommendations

- 4.1 To include a clear statement of employers' responsibilities in respect of contributions in the Pensions Administration Strategy Statement (PASS) which will be prepared for the Committee's meeting on 1st November 2010.
- 4.2 To report to the Pensions Committee on a quarterly basis on the timing of the payment of contributions.

5. Reason for recommendations

- 5.1 Clearly setting out responsibilities will ensure employers can be in no doubt as to the requirements and reporting to the Pensions Committee will give weight to discussions with employers, as well as keeping the Pensions Committee informed.

6. Other options considered

- 6.1 Charging interest on contributions paid late was considered, but rejected on the basis that the cost of administering the collection of interest would outweigh the amount of interest which could be collected.

7. Summary

- 7.1 The Local Government Pension Scheme regulations require employers to pay contributions within set timescales and the external auditors consider this to be a key issue in their audit of the pension fund accounts.
- 7.2 Five employers paid contributions late more than once during 2009/10. During 2010/11 so far, only 2 employers have paid late and 1 of those was on one occasion only.

8. Head of Legal Services Comments

- 8.1 The report correctly identifies the statutory position regulating payments made by employing authorities to the administering authority under the relevant provisions of the Pensions Act 1995, the Occupational Pension (Scheme Administration) Regulations 1996 and the Local Government Pension Scheme (Administration) Regulations 2008. Further the report draws attention to the discretion available to an administering authority under Regulation 44 of the 2008 Regulations to require an employing authority to pay interest on any amount overdue. However, it is reasonable for an administering authority to take into account the costs involved in the administration of such interest payments in deciding whether or not to exercise this discretion.

<p>9. Equalities & Community Cohesion Comments</p> <p>9.1 There are no equalities issues arising from this report.</p>
<p>10. Consultation</p> <p>10.1 Not applicable.</p>
<p>11. Service Financial Comments</p> <p>11.1 There is a clear regulatory requirement for contributions to be paid on time and the majority of contribution income to the Fund is received on time. The contributions paid late in 2009/10 amounted to only 0.4% of the Fund's monthly income from contributions.</p> <p>11.2 The cost of collecting interest outweighs the benefit of charging. The Treasury and Pension Teams will work together to improve the timeliness of contribution receipts.</p>
<p>12. Use of appendices /Tables and photographs</p> <p>None</p>
<p>13. Local Government (Access to Information) Act 1985</p> <p>Not applicable</p>

14. Background and regulatory requirements

- 14.1 At the Pensions Committee meeting on 21st June 2010 the timing of the receipt of contributions from employees and employers to the Pension Fund was discussed and the Committee requested that a report with further detail be prepared for the September meeting. Grant Thornton, the external auditors, reported that they would be looking into late payment of contributions during their audit of the pension fund accounts.
- 14.2 The Local Government Pension Scheme Administration regulations require all employers in the scheme to pay contributions into the Fund within the timescales set out in the Pensions Act 1995. This Act requires that employee contributions deducted from salaries are paid into the Pension Fund no more than 19 days after the end of the month in which they were deducted.

15. Payment of contributions

15.1 The Pension Fund receives employee contributions of £2.6m per month and £2.1m of this is from Haringey Council employees. Employer contributions amount to £8.5m per month with £7.3m from Haringey Council. Therefore only 15% of the contribution income comes from employers other than the Council.

15.2 During 2009/10 five employers paid late more than once. These are detailed below with the average number of days late.

	Occasions late	Average days late	Average monthly contributions
Mulberry School	2	6	£11,000
St. Thomas Moore	2	14	£19,000
John Loughborough School	6	32	£5,000
Europa	7	64	£700
TLC	11	24	£8,000

Another five employers paid late on one occasion each during the year.

15.3 The total of the monthly contributions from these employers amounts to £43,700, which is only 0.4% of the £11.1m received in contributions every month.

15.4 In 2010/11 so far only 2 employers have paid late, as per the table below:

	Occasions late	Average days late	Average monthly contributions
Europa	1	30	£900
TLC	3	11	£7,600

Europa have paid only one month's contributions late and TLC have been late every month so far, although the number of days they are late has fallen to 4 days in the latest month.

16. Options for improvement

16.1 The Local Government Pension Scheme regulations provide Pension Funds with the ability to charge interest on late payments of contributions. It is possible to charge interest at 1% above base rate, which currently amounts to 1.5%. If this level of interest was applied to the late payments during 2009/10 the amount collected would only be £304, with all bar one of the invoices being raised for less than £25. It is considered that the administration which would be involved in raising invoices and ensuring they are paid would outweigh the benefit of charging.

- 16.2 The second and favoured option is to reinforce the requirement of payments to be made on time with the small number of employers who pay late. This could be done through the inclusion of responsibilities in the proposed Pensions Administration Strategy Statement (PASS) and by follow up with the employers concerned each month they are late. Being able to state that the Pensions Committee are closely monitoring the situation will give weight to this.
- 16.3 Communications are already happening more regularly with the employers who are consistently late and this has shown improvement in 2010/11 as demonstrated above in paragraph 15.4.
- 16.4 It is proposed to report to the Pensions Committee on a quarterly basis on the payment of contributions to enable the Committee to keep up to date with progress.