

Breaches of LGPS Regulations

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1. Summary

The report provides Pension Board Members with the latest report on Breaches of LGPS regulations affecting the Shropshire County Pension Fund.

2. Recommendations

Pension Board Members are asked to note the contents of this report

REPORT

3. Risk Assessment and Opportunities Appraisal

3.1 Risk Management

By ensuring the guidance and legislation mentioned in this report is followed and adhered to risks to the Fund are minimised.

3.2 Human Rights Act Appraisal

The recommendations contained in this report are compatible with the Human Rights Act 1998.

3.3 Environmental Appraisal

There is no direct environmental, equalities or climate change consequence of this report.

3.4 Financial Implications

Currently there are no direct financial implications arising from this report.

4. Recording and reporting of breaches

4.1 Section 70 of the Pensions Act 2004 imposes a requirement on the following persons to report a breach of law:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of such an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;

- a professional adviser in relation to such a scheme; and
 - a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme,
- 4.2** When deciding whether a breach is likely to be of material significance to the Pensions Regulator, the cause, effect, reaction to and wider implications of the breach should all be considered and, if a breach has occurred that is deemed material, it should be reported to the Pensions Regulator.
- 4.3** Any potential breaches by the Administration Team or Fund Employers' are recorded on the Breaches Log and reported quarterly to Pensions Committee. Over the 2017/18 financial year, the majority of breaches were due to employers not preparing a discretions policy, leavers forms being provided outside the four week time period, or contributions and/or data not being submitted on time.
- 4.4** In March 2018, 11 discretions policies are outstanding. 3 of these are in relation to new employers who have joined the scheme after 1 January 2018. These employers have 3 months in which to submit a policy before the absence of a policy is considered a breach. Of the other 9 outstanding policies, which are in breach of the regulations, 1 employer has submitted a draft policy for review.
- 4.5** The majority of the other breaches are when employers do not pay over their pension contributions on time and/or data supporting the payment is not being submitted on time. Each breach recorded is reported to the employer and most employers engage with the Fund to ensure the breach does not happen again. These type of breaches are largely due to administration errors such as contribution cheques not being posted on time, the payment deadline of the 19th falling on a weekend, or a new employer failing to correctly understand the responsibilities of becoming an employer in the Fund, particularly when separating from the Local Authority, such as Academy conversions.
- 4.6** Throughout 2017/18 there were 12 employers who appeared on the breaches log with a total of 6 or more breaches for the reasons set out above. These employers have all been written to, the letter being sent to the main contact at the organisation, and the Fund is continuing to work with them to improve their practises. For those employers who have built up multiple breaches, the breaches tend to have occurred around the same issue, for example recording the additional contributions incorrectly on their data extract, meaning that the payment made does not match the data submitted. This indicates a lack of knowledge specific to the individual employer, which is rectified by the team through targeted guidance and training on the issue.
- 4.7** No breach has yet been assessed as material and therefore none have needed to be reported to the Pensions Regulator.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Item 8 - Pensions Board Meeting 17 November 2017

Item 13 - Pensions Committee Meeting 24 November 2017 Record of Breaches Report (Exempt paper)

Item 23 - Pensions Committee Meeting 16 March 2018 Record of Breaches Report (Exempt paper)

Cabinet Member (Portfolio Holder)

NA

Local Member

NA

Appendices

NA