

	<h2>Local pension Board</h2> <p>21st November 2018</p>
Title	Late Contributions
Report of	Director of Finance
Wards	n/a
Status	Public
Urgent	No
Key	No
Enclosures	Appendix A – Report to tPR – Capita RE Appendix B – Report to tPR – Capita CSG
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Summary

This paper will set out how the London Borough of Barnet Council ('the Council') and Capita have been addressing the failure to collect accurate contributions from scheme employers and invites comments from the Board.

Recommendations

To note the actions being taken by the Scheme Manager to ensure appropriate controls are in place to ensure timely and accurate collection and reconciliation of employer contributions.

1. BACKGROUND

- 1.1 Results of the 2016 actuarial valuation required two admitted bodies, Capita CSG and Capita RE, to pay 'secondary contributions' in addition to their ongoing employer percentage.
- 1.2 Following an exchange of e-mails in April 2018, it transpired that Capita CSG and Capita RE were not paying their monthly secondary contributions that were due from 1 April 2017. Monies owed to the fund were:
 - Capita CSG: £1,055,500
 - Capita RE: £727,500
- 1.3 The Pensions Regulator requires any maladministration, considered by the scheme employer to be of material significance, to be reported to the Pensions Regulator, as soon as possible.
- 1.4 Capita wrote the Pensions Regulator, on 23 October 2018, to report the late payment of secondary pension contributions:

2. WHAT HAPPENED

- 2.1 Upon investigation, it has transpired that reconciling monthly contributions is limited to matching the monthly schedule with monies paid. At present, there is no further process to ensure secondary contributions are being paid.
- 2.2 The revised contribution rates, from 1 April 2017, were shared with Capita on 22 March 2017. Capita sought to understand the reason for increased contributions when they were notified – however, this dialogue ceased when the Head of Treasury at Barnet left the Council in June 2017. As such, this seems to be the reason as to why secondary contributions were not arranged.
- 2.3 The delay in receiving backdated secondary contributions from Capita has been a result of agreeing whether the secondary contributions are recoverable through a 'pass through' agreement.
- 2.4 In short, a pass through arrangement is a clause in the commercial contract that allows the scheme employer to recharge pension costs, above the opening contribution rate, to the Council.

3. AFFECT ON MEMBERS

- 3.1 Member pension benefits will not be affected by the late payment of contributions from Capita. The fund assets total c. £1.2bn, meaning there are enough funds to absorb the late payments and pay member benefits.

4. RESOLUTION

- 4.1 The Pensions Regulator was notified of the late payment of contributions on 23 October 2018 (Appendix A and B).
- 4.2 It is recognised that Capita notified the Pensions Regulator around five months after the underpayments were discovered. However, Capita deemed it appropriate to allow the scheme employers time to understand their obligations, and seek necessary advice.
- 4.3 The late contributions have been included as debtors within the pension fund accounts as at 31 March 2018.
- 4.4 Our newly appointed pensions resource at the Council, Gareth Hopkins, is in dialogue with the scheme administrator (Capita) to arrange a site visit to Darlington, where pensions administration activity takes place – the purpose will be to review administration processes and provide recommendations to ensure administrative obligations are being met.
- 4.5 Gareth Hopkins has been liaising with Capita to ensure that clear dialogue with scheme employers is part of the triennial valuation process, so there is a clear understanding should there be revisions to contribution due.

5. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 5.1 No other alternative options have been considered. The payment of contributions by employers is a regulatory requirement and it is the responsibility of the Scheme Manager to ensure all contributions are received. Stronger internal controls are being developed as outlined above to ensure future risks of non payment of contributions are mitigated.

6. POST DECISION IMPLEMENTATION

None

7. IMPLICATIONS OF DECISION

7.1 Corporate Priorities and Performance

The Local Pension Board supports delivery of Council's strategic objectives and priorities as expressed through the Corporate Plan 2015-2020 by assisting in maintaining the integrity of the Pension Fund by monitoring the administration and compliance of the Fund.

7.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

Ensure the pension fund is properly funded through effective internal controls.

7.3 Social Value

7.4 None

7.5 Legal and Constitutional References

7.5.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is LB Barnet. The Local Government Pension Scheme Regulations 2015 requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice.

7.6 Risk Management

7.6.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

7.7 Equalities and Diversity

7.7.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

7.8 Consultation and Engagement

7.8.1 Where relevant, consultation and engagement is discussed in the paper.

8. BACKGROUND PAPERS

- 8.1 The Pension Regulators Code of Practice

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

- 8.2 Local Pension Board, Terms of Reference:

[Appendix A – Terms of Reference for Local Pension Board – Amended , item 8.](#) [PDF 121 KB](#)

- 8.3 Local Pension Board Meeting – 21 November 2018 meeting:

- 8.4 <https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=753&MId=9339&Ver=4>