

CONTRIBUTION DEFERRAL POLICY

November 2020
Hertfordshire Pension Fund
Local Government Pension Scheme

Policy on the Deferment of Employer Contributions

Hertfordshire County Council Pension Fund (“the Fund”) recognises that employers, from time-to-time may face challenges in respect of meeting employer pension costs over the shorter term due to short term cashflow and revenue issues. This policy sets out the Fund’s policy on granting flexibility in respect of the payment of employer contributions during such a period.

The Fund is restricted by the LGPS Regulations in granting flexibility as there are limited circumstances where contribution rates certified in the Rates and Adjustments Certificate can be amended. In addition, the Regulations require that employer contributions in line with the Rates and Adjustments Certificate must be paid within each 12 month period. As a result, the Fund is not able to consider reducing contributions or granting contribution holidays to employers. However, the Fund is able to consider the deferral (or temporary reduction) of employer contributions whereby an employer is able to delay payment of employer contributions at the full rate that are owed to the Fund

The Fund will only consider deferral where an employer makes a formal request. All other circumstances will be considered as late payments to the Fund and handled in accordance with the Fund’s administration policy. In making a request for deferral, the Fund requires:

- A clear business case and rationale for the request, including evidence that the employer will likely be able to meet the deferred contributions at the end of the deferment period;
- Evidence of support for the application from the employer’s guarantor authority
- Assurances that other financial obligations, such as dividend payments, will also be suspended during the period of deferral; and
- Evidence the employer is seeking relief from other creditors, including any other pension arrangements, to ensure the Fund is being treated consistently.

Failure to provide the above will result in the Fund being unable to provide a deferral of contributions.

In addition, late payment interest at 3.4% per annum will apply after 2 months of non-payment of a contribution that would ordinarily be paid monthly by the employer.

The request and accompanying evidence will be considered on a case by case basis and, if successful, would be approved by Scott Crudgington, the Section 151 officer with responsibility for the Fund, after the Fund has taken covenant, legal and actuarial advice. The Fund will also consult with any associated employer that is providing a guarantee to the employer seeking deferral. The Fund will respond to a request for contribution deferment as quickly as possible and usually within a 21 day period. Employer contributions must be remitted as usual during the period that a deferment request is being considered.

Where a request for deferral is not approved in the first instance, the Fund may require additional evidence or security to reconsider the request. There is no explicit appeals process for contribution deferment requests. If an employer feels they have been treated unfairly by the Fund, they may refer to the Fund's standard complaints and IDRPs processes.

Where a request for deferral is accepted, employers will be able to defer contributions for up to 3 months. Following the 3-month period, 1 month extensions may be granted on request subject to submission of updated evidence of the employer's financial position. Extensions cannot go beyond 31 March 2021 for payments due in the year to 31 March 2021, 31 March 2022 for payments due in the year to 31 March 2022 and so on for any future years at which point annual employer contributions are due in full. Where contributions due are not received in full by 31 March in any given year, the Fund has a statutory obligation to report the failure to make employer contributions to the Pensions Regulator. It should be noted that employee contributions must be remitted as usual during the period of deferment.