

Pensions Committee

16 March 2016

Report title	Report of the Pension Board – Data Quality	
Originating service	Pensions	
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Report to be/has been considered by	Chair of, Pensions Board	

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Consider the report from Pensions Board, note the actions taken by Fund officers and then take appropriate action to address the matters raised.

1.0 Purpose

- 1.1 To highlight to Pensions Committee the issues noted by the Local Pension Board in their review of the report presented at their meeting on 19 January 2016.

2.0 Background

- 2.1 The Local Pension Board's role is to assist in the good governance of the scheme and to highlight to Pensions Committee areas that it feels need improvement in meeting the standards set by legislation and statutory guidance.
- 2.2 On 19 January 2016, the Local Pensions Board received a report "Pensions Administration - Data Quality" which highlighted the work of the Fund in improving the quality of membership data held by the Fund. The same report was presented to Pensions Committee at its December meeting (albeit further information was added to update on the engagement with employers since December). A copy of the December report is attached as Appendix 1.
- 2.3 In December 2015, Pensions Committee noted the Fund was pleased with the level of employer engagement on enhancing data quality but noted there was work still to be done and that the Fund was reliant on employers providing further information to address outstanding data issues.

3.0 The considerations noted by Pension Board

- 3.1 On review of the report presented to Pension Committee and following discussion with Fund officers at their meeting, the Local Pension Board felt that the issues the Fund is currently experiencing with data quality, and specifically, its ability to obtain "clean data" from Fund employers were more acute than reflected in the report. The Local Pension Board request Pension Committee monitor this activity and progress more closely.
- 3.2 The Local Pensions Board acknowledged the work undertaken but felt that improvements were not being made quickly enough to meet the standard set by the Pensions Regulator. The Board have called for further action and a policy of "naming and shaming" employers who fail to meet the standard required.
- 3.2 Officers of the Fund responded to questions and concerns highlighting the issues experienced over the last 12 months and noting;
- employers across the LGPS had struggled to respond to changes in data requirements driven by LGPS 2014;
 - this year was the first year employers had to provide new information on the annual return, requiring changes to payroll systems and reporting;
 - the Fund had also encountered some challenges and process changes and acknowledged it needed to clarify and help employers respond to data requests and queries more easily;
 - there had been a knock-on effect to routine data exchange; and

- the Fund was undertaking a program of engagement and support with employers to address the issues that had emerged.

3.3 Officers confirmed the Fund was in the process of issuing fines to employers (in line scheme regulations and the Pension Administration Strategy) to reflect late receipt of annual return files and charges where the quality of data had resulted in additional work and cost for the Fund.

3.4 In addition, the Fund would be undertaking a review of the fines and charges levied before the 2016 annual return and would be conducting a wider review of the Pensions Administration Strategy during 2016 to ensure financial penalties were appropriate and costs could be recovered where employer performance was poor and additional costs were incurred.

3.4 The Pension Board call on Pension Committee to consider the governance arrangements in place and ensure issues surrounding data quality are addressed.

4.0 Addressing data quality issues

4.1 Fund officers acknowledge the points made by the Local Pensions Board and welcome comments and instruction from the Pension Committee on the actions being taken to address data quality issues. At this stage, continued engagement and collaboration to enhance and improve data quality and exchange is the preferred course of action but further action will also be taken to deter and penalise areas of poor performance going forward.

4.2 The activity undertaken by the Fund to identify and act on poor data quality is listed below:

- comparison of data record keeping against the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014
- review of outstanding data from large employers (top 25 prioritised) and queries from the 2015 annual return
- feedback on data quality and outstanding items and queries issued to employers
- face-to-face meetings with all district councils and other large employers who had significant errors in their annual return file, followed by agreed improvement action plans and monitoring against these for individual employers
- issue of fines for late receipt of annual return files
- issue of charges to recover costs for additional work incurred by the Fund due to poor data quality
- letter to Chief Executive Officers at 7 district councils outlining the responsibility to maintain and provide the Fund with accurate member data on a timely basis and the action required to address their outstanding data and improve data exchange (January 2016)
- early issue of an updated file format for the 2016 return request (January 2016)
- early issue of the 2016 annual return request (early February 2016)

- continuity of employer coaching sessions at the Fund offices (4 held November 2015 to February 2016, with 30 attendees representing 23 employers), covering a wide range of issue but including processes for notifying the Fund of leavers and joiners (a significant issue picked up in the annual return)
 - three annual return focused “customer journey mapping” workshops in February 2016, with “quick wins” identified to be incorporated into the 2016 process
 - discussions with employers, the administration software supplier and other LGPS funds on a move to more frequent and automated data exchange to reduce manual intervention and increase efficiency for the Fund and employers
 - offer to exchange test files with some employers to check data exchange improvements are effective in advance of the 2016 exercise
 - letter to employers to remind them of the deadline for the 2016 annual return and to confirm the fines and recharge of additional costs effective from April 2016 (early March)
- 4.3 Over the last 5 months the Fund has been analysing data and has issued queries and requested additional information to 67 employers, covering 83% of the Fund’s active membership.
- 4.4 Progress in terms of the response received from employers to queries raised and outstanding data items is being closely monitored (and an update on this is included in Appendix the Pension Administration report). For the three district councils who are status RAG rated “red”, the issues have been escalated to senior officers within the council. For two of these employers, action plans and targets are being monitored and reported on a weekly basis and a similar approach will be discussed with the third, with a view to having this in place by the date of the Committee meeting.
- 4.5 The Fund would have liked all data queries and outstanding information returned from employers and reflected in the administration system in advance of the 31 March year end. However, given the volume of work required in some cases (by employers and then the Fund) this will not be possible and some outstanding items will need to “roll-over” for review and completion alongside the review of emerging issues from the 2016 annual return exercise.
- 4.6 The officers remain pleased at the level of employer engagement on data quality issues but note this needs to translate to action. As part of the review of the Pension Administration Strategy and the fine structure within, consideration will be given to how good performance can be rewarded to incentivise and further engage action. The Fund will need to consider reporting employers who do not respond to the Pensions Regulator and propose from 2016/17 to disclose employers who do not deliver key information to the Fund on time.
- 4.7 All employers are due to return the 2016 annual return to the Fund by 31 March 2016 and the timeliness and quality of the data received this year (which will be used to assess the effectiveness of the Fund’s engagement with employers) will be reported to Committee in June, when the report against the statutory record keeping requirements will also be refreshed. In the meantime, data cleansing work will continue, with a target

date of the end of June 2016 to get membership records up to date ready for the production of annual member benefit statements and extract of data for the 2016 actuarial valuation.

5.0 Financial implications

- 5.1 The late receipt of membership data and/or data errors can increase the administration cost of the Fund. Scheme regulations enable the Fund to recover additional costs incurred as a result of poor employer performance.

6.0 Legal implications

- 6.1 The Fund has a legal duty to meet with legislation and statutory best practice, failure to do so may open the fund to challenge from the Pensions Regulator or the National Scheme Advisory Board.
- 6.2 The Fund is able to impose penalties on employers (to cover any fines or costs incurred) through its adopted pension administration strategy.

7.0 Equalities implications

- 7.1 There are no implications contained within this report

8.0 Environmental implications

- 8.1 There are no implications contained within this report

9.0 Human resources implications

- 9.1 There are no implications contained within this report

10.0 Corporate landlord implications

- 10.1 There are no implications contained within this report

11.0 Schedule of background papers

- 11.1 West Midlands Pension Fund, Pensions Administration Strategy 2015
<http://www.wmpfonline.com/CHttpHandler.ashx?id=6944&p=0>
- 11.2 Public Service Pensions Act 2013
<http://www.legislation.gov.uk/ukpga/2013/25/contents>
- 11.3 The Pensions Regulator's code of Practice
<http://www.thepensionsregulator.gov.uk/doc-library/codes.aspx>

11.4 The Scheme Advisory Board's statutory guidance.
<http://www.lgpsboard.org/index.php/about-the-board/board-guidance>

12.0 Appendix 1

Report to Pensions Board 19 January 2016 'Pensions Administration – Data Quality'
<https://wolverhamptonintranet.moderngov.co.uk/documents/s19517/Pensions%20Administration%20-%20Data%20Quality.pdf>