	Pensions Board
CITY OF **WOLVERHAMPTON** C O U N C I L	2 July 2019

Report title	Business Performance and Data Management
Originating service	Pension Services
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Recommendations for noting:

The Board is asked to note:

1. The Data Management Strategy adopted by the Fund.
2. The progress of work on the Monthly Submissions project.
3. The work to progress delivery of Annual Benefit Statements.
4. The Fund's Key Performance Indicators as an annual review.
5. The work of the Fund on delivering its Digital Transformation Programme.
6. The progress of GMP Reconciliation.
7. The reviewed and updated Pension Administration Strategy.

1.0 Purpose

1.1 To provide the Local Pensions Board with an update on the work of the Fund in delivering improved data quality in line with the Pension Regulator's Code of Practice.

1.2 To provide the Local Pensions Board with an end of year overview of Fund performance against its set objectives.

2.0 Data Management Strategy

2.1 All Local Government Pension Schemes collect and hold records about scheme members' identities, personal data, pay and their time in the scheme to calculate and pay out pension benefits. Record keeping is a vital part of running a scheme and failure to maintain complete and accurate records means the Fund is at risk of failing to meet its legal obligations. Crucially, it can affect the Fund's ability to complete basic functions such as paying members the right amount at the right time and issuing annual benefit statements as required under the Local Government Pension Scheme Regulations.

2.2 In 2018, the Pensions Regulator (tPR) set out its aims of becoming "Quicker, Clearer, Tougher" in its oversight of pension schemes with good clean data quality at the heart of delivering a well governed pension scheme. Good data governance has been a key focus for the Scheme Advisory Board (SAB) and the Local Government Minister, noting the role of data in ensuring the delivery of accurate and timely pension benefit information to members. The Fund launched its Data Improvement Strategy in 2018 collating various workstreams focused on identifying, managing and continuing to improve data quality across the Fund's membership profile through a series of focussed data improvement plans.

2.3 The evolving Fund membership, employer base, the cycle of actuarial valuations, developing standards and the increased complexities in the scheme following benefit change, require the strategy to be responsive to change, meeting new requirements and priorities, while retaining the ability to monitor continued and progressive steps to managing data quality.

2.4 Attached at Appendix A is the Fund's revised Data Management Strategy for 2019/20 adopted by Committee at its June meeting. This has been updated with recent changes in the Fund's data management approach following a corporate review of monitoring tools and the continued focus of the Fund on improving services for Scheme Members, as outlined in the Fund's Service Plan 2019 – 2024.

2.5 In formulating the strategy, the Fund has undertaken a data impact risk assessment, considering the potential outcomes of poor data and how to mitigate them through proactive management. That risk assessment has been used to design data management projects and inform priorities to deliver related initiatives, such as the Fund's Digital Transformation Programme (DTEP), and the 2019 Actuarial Valuation which is heavily reliant on good data in assessing the Fund's liabilities. Progress on these projects is reported monthly to the Fund's Senior Management Team, to Pensions Committee on a quarterly basis and monitored by the Local Pension Board bi-annually, providing oversight and assurance of the Fund's commitment to improved Data Quality.

3.0 Monthly Submissions

3.1 While development of the monthly submissions process continues, the Fund has undertaken a review of the delivery and practical application, which currently requires a greater volume of manual work than anticipated at the launch of the programme, restricting reporting back to employers.

3.2 For the year 2018/19 the Fund has uploaded and processed all files received and continues to work through the data analysis having recruited additional temporary resource to support and prioritise this work in the lead up to the 2019 Annual Benefit Statement production.

3.3 Following the initial launch in 2017, the Fund has undertaken a review of the operation of the monthly submissions programme. The review has focused on increasing efficiency and increasing reporting capabilities back to employers, seeking greater automation of data analysis, streamlining functions for employer and Fund users, reducing manual intervention and enabling greater employer-led validation at the point of upload. The improvements identified will be being delivered in conjunction with elements of the Fund's Digital Transformation Programme with, for example, greater use of shared work trays to manage queries.

3.4 This year, the Fund has seen improved employer performance in terms of delivery of monthly submission files compared to this time last year, with approximately 75% of files submitted on time compared to approximately 37% last year. 97% of files have been submitted by year-end compared to 88% last year and the Fund is currently working through the analysis to identify any errors which may prevent the Fund from delivering an individual's Annual Benefit Statement. Engagement with employers continues through the employer engagement roadmap; where identified as necessary, improvement plans will be issued to employers from May through to July (extending over the summer, if required) to assist in the delivery of annual benefit statements.

4.0 Actions to Improve Data Quality

4.1 Annual Benefit Statements 2019
Work has begun to deliver Annual Benefit Statements to Fund members for 2019 with the first run completed for Deferred Benefit Statements. This first run saw an 87% production ahead of the 31 August deadline, and work continues to cleanse the data on identified leavers with the aim of maximising this production further on the second production run to meet the statutory deadline.

As noted above, work continues in assessing and cleansing the data from monthly files, with employer engagement planned to highlight and present queries for resolution prior to the first production run of Active Benefit Statements.

4.2 Common and Conditional Data Analysis
Data Quality remains a key focus area for all governing bodies across the LGPS including the Pensions Regulator (tPR) and the Scheme Advisory Board (SAB).

One measure used by tPR to assess the quality of data across the LGPS is their common and conditional data score.

Common data being the data that is consistent across all schemes (name, DOB, Nino). Conditional data being data that is specific to the scheme (salary, hours, start and end dates).

The Fund participates in the reporting of common and conditional data and this year has reported 98% accuracy of its common data fields. The Fund has been developing a suite of conditional data reports since 2016 and has used the initial output from these to inform data cleansing work, with further development pending awaiting further details on a national standard for the LGPS.

As reported to Committee in September 2018, in June 2018 the Fund received communication from the Local Government Association (LGA) on behalf of the Pension Regulator, confirming that they were moving forward with assessing the possibility of a consistent data approach across the LGPS, responding to concerns from employers and payroll providers about the inconsistent requests for data from different Funds in connection with the conditional data aspect of LGPS data requirements.

4.3 Member Tracing
As part of its review of existing tracing services and provider, in February, the Fund engaged with an external Tracing provider, via the National LGPS Framework for member Data Services to complete a pilot exercise to support the Fund with cleansing and tracing a number of Deferred member addresses.

As part of this process, the Fund has produced a file of identified deferred members where the Fund believes they have gone away from the address held on the system, which has been provided to the third-party provider who has begun a stage process of tracing and validating the data.

The first stage of the process is for the whole data set to undergo a mini trace, to identify potential new addresses. The data is then graded on level of certainty and accuracy of match/trace. Any new addresses which are found and have a higher grading undergo a high-level verification stage, those with a lower graded accuracy rating (linked only on minimal identifiers) are taken through a more in-depth verification stage. Currently this process has resolved c40% of new cases, with a further 25% undergoing the second verification stage

5.0 Key Performance Indicators

5.1 This year, the Fund has seen a steady increase in its performance which is reflective of the increased workloads and complexities in the scheme, including amendments to regulations enabling early access of benefits for deferred members. As reported to Committee in March, the Fund has engaged with SAB on the timing of issuance of changes to regulations to enable Funds to more fully prepare for amendments to scheme benefits through earlier updates to software systems and the training of employees. This is an issue felt across all LGPS Funds and is not unique to West Midlands.

5.2   Workloads continue to increase across all service areas of the Fund, with more demand for face-to-face services and an increase in calls to the Fund's customer call centre. This is reflective of the current pensions culture with more national campaigns and awareness raising of pensions and planning for retirement. In addition, registrations to the Fund's online pensions portal have exceeded target with more than 75,000 members registered to access their benefit accounts. The Fund is continuing to identify more ways to engage its customer base and will, this year, participate in a national benchmarking exercise to assess the value of its customer services looking to identify further ways it can improve and engage the customer experience.

5.3   In addition, the Fund is reporting improved performance in the average days of sickness across its employee base which is below average when compared Council wide. Further in its employee development, while average numbers of training have reduced across the employee base, the Fund now has more employees than previous years undertaking a relevant training and/or qualification, with higher levels of reported training hours also coming through for Pension Committee and Local Pension Board members.

5.4   Outlined in the Fund's Service Plan 2019-2024 is the continued focus on developing more channels for customer engagement, including the creation of online videos and webinars as the Fund continually reviews and develops its services to meet the increasing demand and the changing way members interact with us. Our People Development Framework will be key to ensuring we have a highly skilled workforce, flexible to the changing environment of pensions and one that supports our colleagues in their personal development and future careers.

5.5   A copy of the end of the year KPIs is attached at Appendix B.

6.0   GMP Reconciliation

6.1   Since April 2018, ITM have been appointed by the Fund to undertake Stage 2 of the Guaranteed Minimum Pension (GMP) Reconciliation project. This second stage involves raising and resolving disputed contracted out membership queries and agreeing GMP amounts with HM Revenue and Customs.

6.2   At the start of the project there were 230,923 discrepancies between the Fund's administration data and the data held by HMRC. These discrepancies were in the form of both membership mismatches, for example members on HMRC records but not on the Fund's administration system or vice versa, and the GMP differences where HMRC holds different GMP values to the Fund's records. All new queries had to be raised with HMRC by 31 October 2018.

6.3   At the end of December 2018, just over 28,000 queries remained unreconciled, with the majority awaiting a response from HMRC. The responses were scheduled to be received back from HMRC during March and April 2019.

Summary of Project Position from the Baseline at 23/04/2018 to 21/12/2018:

	Reconciled	Unreconciled	Other (out of scope)
Baseline Totals (as at 23.4.2018)	157,712	230,923	143,385
21.12.2018 Totals	251,221	28,074	248,533
Difference	**+93,509**	**-202,849**	**+105,148**

6.4   It can be seen from the above table that since the baseline was established on 23 April 2018, the number of unreconciled cases has reduced from 230,923 to 28,074, a reduction of 202,849 cases. The reconciled cases have increased to 251,221 and the out of scope cases to 248,533.

6.5   Out of scope cases include the following:

- Members with no liability under the scheme and no corresponding record on the HMRC data e.g. transfers out, refunds
- Members with pre-6 April 1978 service only or post 5 April 2016 service only
- Member with no liability status but another liability record is already linked to a HMRC record.
- HMRC records initially not matched to the Funds records that subsequently are at a later date

6.6   ITM are currently reviewing and processing the responses received after 31 December 2018 and the final Stage 2 Reconciliation report will be issued to the Fund by mid-June. As such, a more comprehensive report will be submitted to Committee as part of the September 2019 meeting.

7.0   Pension Administration Strategy

7.1   Following review and consultation with employers, Pensions Committee approved the Pension Administration Strategy (PAS) 2019, included at appendix C at its June meeting.

7.2   The updated strategy includes and reflects:

- Requirements to provide detailed breakdowns with respect to contributions to assist with the reconciliation of payments. In particular where payment is made on behalf of multiple employers by payroll providers.

- Greater clarity required with respect to information provided regarding members' previous periods of employment as part of the new joiner process.

- A review of the charging and re-charging structure in the event of poor performance, which has resulted in no amendments for this version. The level and structure of charges remain aligned to the monthly data submission process whilst maintaining transparency and proportionality.

- Inclusion of the requirement to review Tier 3 Ill health benefits after they have been in payment for 18 months, in line with the LGPS Regulations.

- The implications for provision of annual pension accounting reports where the Fund is unable to prepare cashflow information due to inadequate or missing contribution breakdowns being submitted by an employer.

7.3   In conjunction with the PAS, the Fund also published a revised 2019 Employer Engagement Roadmap, included at Appendix D, which has been issued to employers with the PAS consultation. The purpose of the Employer Engagement Roadmap is to outline the framework available to support performance improvement and the steps the Fund will take (including escalation) where any issues with performance are not being addressed and where the engagement and further support is unsuccessful. The primary revisions included in this iteration are:

- Alignment to the employer journey outlined in the Customer Engagement Strategy.

- Revisions to the escalation procedures and timescales, primarily to split out the monthly submission of data and the payment of contributions.

- Further clarity on benefit operation processes and the stages for escalation as required.

8.0   Financial implications

8.1   There are no financial implications outlined in the report, however, failure by the Fund to meet statutory requirements could result in a fine from the Pensions Regulator.

8.2   Poor data quality has the potential to impact the Fund's setting of contribution rates as part of the 2019 actuarial valuation. Its ability to assess its liabilities is key to the assessment of the Fund's funding level and the setting of employer contribution rates.

8.3   Overriding all duties is the ability of the Fund to pay accurate and timely pension benefits to its members, poor quality of data may result in incorrect payments and/or delays to member finances.

9.0   Legal implications

9.1   The Fund has a statutory duty to provide Annual Benefit Statements to members, failure to produce statements could result in enforcement action from the Regulator.

10.0   Equalities implications

10.1   The Fund's Data Management Strategy has been assessed under the Equality Impact Assessment, no implications were identified.

11.0 Environmental implications

11.1 There are no implications

12.0 Human resources implications

12.1 There are no implications

13.0 Corporate landlord implications

13.1 There are no implications

14.0 Schedule of background papers

14.1 The Pensions Regulator's Code of Practice No14
https://www.thepensionsregulator.gov.uk/en/public-service-pension-schemes

14.2 The Pensions Regulator's Corporate Plan 2018-2021
https://www.thepensionsregulator.gov.uk/-/media/thepensionsregulator/files/import/pdf/corporate-plan-2018-2021.ashx

14.3 Data Management Report to Pensions Committee 5 September 2018
https://wolverhamptonintranet.moderngov.co.uk/documents/s84041/Data%20Management%20Report.pdf

15.0 Schedule of Appendices

15.1 Appendix A: Data Management Strategy 2019

15.2 Appendix B: 2019 Key Performance Indicators

15.3 Appendix C: Pension Administration Strategy 2019

15.4 Appendix D: Employer Engagement Roadmap