

# Pensions Committee

17 June 2020

<b>Report title</b>	Data Management Report	
<b>Originating service</b>	Pensions Services – Governance	
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## Recommendation for action:

The Committee is recommended to:

1. Adopt the Data Management Strategy, updated for 2020.

## Recommendation for noting:

The Committee is asked to note:

1. The ongoing work of the Fund to manage, monitor and effect good data management.

## **1.0 Purpose**

- 1.1 To seek approval of the Fund's Data Management Strategy and to provide an update on the work of the Fund in delivering good data management in line with statutory requirements.

## **2.0 Background**

- 2.1 All Local Government Pension Schemes collect and hold records about scheme members' identities, personal data, pay and their time in the scheme in order 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. The Fund adopted its first Data Management Strategy in March 2019.
- 2.2 The overriding purpose of good data management is to set out the Fund's commitment to improving the service it provides to Fund Members thus ensuring:
- Members get the right benefits at the right time and
  - Actuarial valuations accurately reflect pension benefit obligations and funding requirements for the Fund's employers when reviewing contribution rates.

## **3.0 Data Management Strategy**

- 3.1 To ensure compliance with statutory responsibilities, and to ensure the Fund achieves the overriding purpose of good data management, it has produced its Data Management Strategy outlining the actions, controls and measures it has in place to achieve good management.
- 3.2 Good data governance has been a key focus for the Scheme Advisory Board (SAB) and the Pensions Regulator (tPR), noting the role of data in ensuring the delivery of accurate and timely pension benefit information to members and the Fund has sought to respond to this focus through a number of data management initiatives launched since the adoption of the first strategy in June 2019.
- 3.3 Over the last 12 months the Fund has commenced a number of initiatives which support good data management which help to achieve the overall objectives of the data management strategy.
- 3.4 System developments
- 3.4.1 During the last quarter of 2019, work was initiated to review and test data held on the system, in advance of the implementation of increased levels of automation and bulk processing. This work took a sample of early leaver data and analysed it against key data requirements, including the tPR's common and scheme specific requirements and data irregularities with the members record, to identify any anomalies and potential issues causing the casework to not be processed.

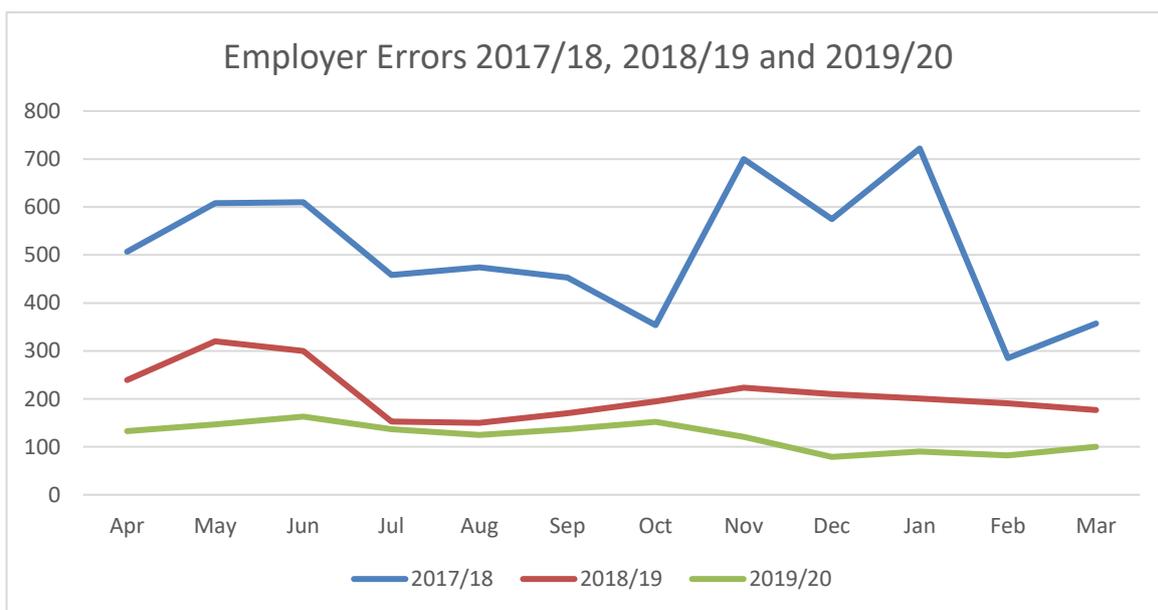
3.4.2 To support with assessing the quality of data received from employers the Fund has been developing and testing functionality which will enable queries with data to be raised with employers via the web portal with the process being sent to the employers' web-tray for action. This development will support the flow of information and assist in monitoring queries and resolution, providing insight and trend analysis for the development of employer communications and coaching material and supporting faster resolution. Work is underway to schedule the transition of this functionality into the live environment over the coming months.

3.4.3 In addition, development of the mortality and deferred member tracing programme has helped the Fund achieve its aim of paying member benefits when they fall due through actively identifying those members and their beneficiaries who may be entitled to death benefits, as well as tracing those members for who the Fund may have lost contact due to leaving employment, enabling early communication on their pension benefits following the change in regulation last year, enabling some members to access their benefits from age 55.

### 3.5 Understanding our data

3.5.1 Throughout 2019 the Fund enhanced its understanding of data through initiatives such as monthly submissions, scheme-specific data reporting and detailed analysis of the reasons for non-production of ABS as part of the Fund's self-report to tPR in September 2019.

3.5.2 Analysing the performance of data in monthly submissions has enabled the Fund to engage with employers on the reasons for data errors and amend validations in its monthly upload process. This has facilitated improved data quality year-on-year with the error reduction rate improving by 42% compared to the same time last year, a key factor in enabling the production of annual benefit statements.



3.5.3 Following detailed analysis of the reasons for non-production the Fund has been able to maximise production of benefit statements, correctly identify a member's status, and facilitated the creation of data improvement plans to employers with guidance for rectification. This work saw the improved delivery of statements by year end from 85% on first run to 95%.

### 3.6 Collaborative approach

3.6.1 The development, and success, of these initiatives has been facilitated by the Fund-wide approach to managing data in line with the data management strategy. Early reporting of data errors or queries by the processing teams has enabled early assessment and identification of issues by the Fund's subject experts, effecting action plans delivered by both the Fund and its stakeholders in the rectification and management of data.

3.6.2 Oversight on this delivery has come from a group of senior officers across the Operations, Data, Systems and Employer Services Team, which has expediated resolutions through the collective understanding of impact on both the Fund and its Employers with the consideration of impact and data risk being a key component in the assessment of priority for engagement and rectification.

3.7 Moving into 2020/2021 and in consideration of the Challenges and Drivers for change identified in the Fund's Service Plan (the evolving Fund membership, employer base, the cycle of actuarial valuations, developing standards and the increased complexities in the scheme following benefit change), together with the learning from the above initiatives undertaken this year, means the strategy needs to adapt and be responsive to change, meeting new requirements and priorities, while retaining the ability to monitor continued and progressive steps to managing data quality.

3.8 The strategy has therefore been reviewed and refreshed to take into account the changing environment in which we operate and the service development initiatives undertaken by the Fund throughout the year. A copy of the 2020 strategy is attached at Appendix One.

## 4.0 Preparation for Annual Benefit Statements (ABS) 2020

4.1 In considering the current global crisis the Pensions Regulator recently issued guidance to pension funds highlighting their priority areas of focus during this time of uncertainty and confirmed that the delivery of ABS was a second stage priority after the payment of pension benefits and the management of data. It is anticipated that the Regulator will not take enforcement action against those Funds who fail to deliver statements by 31 August deadline where appropriate reasoning can be found and may extend their monitoring of delivery of ABS by 3 months to allow Funds the opportunity to manage resource in an appropriate way that ensures pension benefits are paid.

4.2 For WMPF, the production of ABS remains a key priority and it has recommenced its annual project to deliver annual benefit statements to members by 31 August 2020 (at no detriment to the priority of paying member benefits).

- 4.3 Committee will recall that last year the Fund self-reported to tPR its production of ABS and engaged with them on the steps and actions taken to improve production through its rolling programme. Following that engagement it was confirmed by tPR that no further action would be taken against the Fund, noting the marked improvement in statement delivery. This year, the Fund has continued to undertake detailed analysis of the reasons for non-production ABS in 2019, noting those members for who the Fund was unable to produce statement, now fall into very complex data analysis with reasons for non-production going back a number of years with some crossing a series of employments and employers. This has meant that the rectification of those errors has been slow with limited numbers likely to be rectified in advance of the 2020 ABS run. The Fund continues to place focussed resource on this work and is aiming to action a similar, but reduced, rolling programme of production for 2020.
- 4.4 To assist production, the Fund will be issuing data improvement plans to employers in the lead up to the ABS run which will combine active member queries (seeking confirmation of leavers), with monthly submission feedback with the aim of cleansing as many queries as possible to assist in maximising production for members.
- 4.5 It is positive and encouraging that the monthly submissions process appears to be assisting in the production of ABS through the continual reduction in errors at first point of data load from employers, however the fund is cautious in relating that to increased production of ABS as there are a number of factors (not linked to monthly submissions) which may cause non-production of ABS. The Fund will continue to update Committee of the progress of this work.

## **5.0 McCloud data analysis**

- 5.1 The case concerns the transitional protections given to scheme members, who in 2012, when scheme changes were proposed, were within 10 years of their normal retirement age, in the judges and firefighters schemes as part of public service pensions reform. Tapered protections were provided for those 3-4 years younger. On 20th December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and that the protections should apply to all.
- 5.2 Since the Court of Appeal decision, LGPS Funds and national bodies such as the LGA and SAB have worked collectively to understand and identify potential remedies for members who retired post 2012 (and who will have been unprotected at the time of retirement).
- 5.3 The LGPS Scheme Advisory Board has committed to ensure that the necessary changes to the LGPS Scheme are made so that all members automatically receive the protection they are due. Changes to the Scheme will be backdated to April 2014 and will apply to qualifying members who left the LGPS after that date. Implementing and communicating the changes will be extremely challenging and as such SAB have set up an implementation group to assist LGPS administering authorities and employers with this

challenge. The implementation group is made up of a variety of MHCLG, GAD and LGA representatives, unions, advisers, software providers and practitioners (LGPS funds). West Midlands Pension Fund is represented by Simon Taylor, Head of Pensions, in his role as 'Metropolitan Fund' representative.

A MHCLG consultation on implementation of McCloud changes in the LGPS is expected in late June 2020 and will last for 12 weeks

- 5.4 There are a number of potential challenges that will come with any proposed remedy. Most notably in relation to data, where employers and pension funds will need to identify and remedy member data to enable any rectification to pension benefits, and also in relation to Funding, where allowances made within the 2019 actuarial valuation will be tested against the cost of remedy once known. System developments to support and record additional data and revised pensions, together with member communications are expected to be significant workstreams. The Fund continues to engage with its employers on the developments of this case.

## **6.0 Financial implications**

- 6.1 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.
- 6.2 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 Fund's funding level and the setting of employer contribution rates.
- 6.3 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.

## **7.0 Legal implications**

- 7.1 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.

## **8.0 Equalities implications**

- 8.1 The Fund's Data improvement strategy has been assessed under the Equality Impact Assessment, no implications were identified.

## **9.0 Environmental implications**

- 9.1 There are no implications.

## **10.0 Human resources implications**

- 10.1 There are no implications.

## **11.0 Corporate landlord implications**

11.1 There are no implications.

## **12.0 Appendices**

12.1 Appendix One - Data Management Strategy 2020