

# Pensions Committee

## 22 June 2016

<b>Report Title</b>	Data Quality – quarterly update	
<b>Originating service</b>	Pension Services	
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### Recommendation(s) for noting:

The Committee is asked to note:

1. The progress and the actions being taken to continue to improve data quality

## **1.0 Purpose**

- 1.1 To provide an update to Pensions Committee on the progress being made by the Fund to continue to improve data quality, its performance against legislative record keeping requirements and to summarise the plans in place to make further improvements to data quality and the data review process.

## **2.0 Background**

- 2.1 The Fund is implementing procedures to ensure optimum data quality is embedded within its administration system and associated records. The Fund has always placed the retention of good quality data high on its list of priorities, however this has heightened so as to improve efficiency and comply with the Pension Regulator's (tPR) closer scrutiny in this area applied with effect from April 2015.
- 2.2 In its guidance, the Pensions Regulator encourages a proportionate and risk-based approach to regular data monitoring, noting that significantly more data needs to be held to operate the CARE Scheme (introduced under LGPS 2014). At least annually, the Pensions Regulator expects funds to carry out a formal data review and set a data improvement plan, to address issues with data quality within a set time period. The initial review of Fund data was reported to Committee in December 2015.
- 2.3 The Fund's Actuary Barnett Waddingham (BW) have undertaken a high level review of the work carried out by the Fund in 2015 to provide an independent view as to whether the tPR is likely to find the Fund compliant, where gaps may exist and to signpost any potential issues. With the regulations only been in effect since 1 April 2015, this is a new area and untested in terms of the tPR's views in practice. Overall BW's report identified areas of good practice, which include the active engagement with larger employers. The review also noted areas where activity could be enhanced, for example through the production of a single overarching data improvement plan.
- 2.4 A summary of 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 annual return errors and issue of analysis to employers
  - application of charges/re-charges on employers to reflect late receipt of annual return files and poor quality of data
  - regular engagement with district councils in regards to outstanding data items and production of action plans where required
  - independent high level review of the work carried out by the Fund
- 2.5 In addition, as part of the Fund's Customer Journey Mapping programme it undertook a series of workshops with employers to map out the employer experience of the annual return process, which is the main exchange of data with the Fund each year. Further information on the outcomes of these workshops is detailed later in the report.

2.6 In March the Fund undertook a review of the charges and re-charges of additional costs levied on employers to reflect late receipt of annual return files and where the quality of data had resulted in additional work and cost for the Fund as part of the 2015 annual return process. This review looked at the level and structure of charges to consolidate, clarify and increase the transparency and proportionality. The new charges better reflect both the size of employer and the additional costs incurred by the Fund. A wider review of the Pension Administration Strategy (PAS) is underway and we will be seeking feedback on this through consultation with employers later in the year. This will strengthen and further clarify the responsibilities of participating employers and the Fund's ability to recover costs incurred as a direct result of employer performance in line with the LGPS Regulations.

### **3.0 Progress**

- 3.1 The Fund has continued to work with employers on outstanding data items and has maintained its programme of engagement with relevant officers at the seven district councils. Overall, there has been a continued reduction in the number of outstanding data items, particularly in terms of outstanding leavers, joiners and casual hours.
- 3.3 Action plans have been agreed and put in place with key employers and overall, responses have been received to approximately 80% of the initial issues raised. The Fund would have liked all data queries and outstanding information, raised in the 2015 process, 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 was not possible. We will continue to work on these following the 2016 annual return process alongside any new findings this highlights.
- 3.4 The Fund has seen a significant increase in the performance of employers for the 2016 annual return process, in relation to the submission of data files. In 2015, only 50% of data files were returned to the Fund by the deadline of 30<sup>th</sup> April, this increased to 90% in 2016. Work is now underway to upload, validate and analyse and resolve any errors. Subject to reviewing accuracy, early receipt will better enable the Fund to meet tight timescales for processing data and calculating the CARE pensions required for the 2016 actuarial valuation and 2016 benefit statements. A full analysis of the quality of the files will be reported in September, following the completion of the process.

### **4.0 Performance against tPR requirements**

- 4.1 The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014, sets out the records that must be kept by the Fund, in respect of members, beneficiaries, transactions and pension board meetings and decisions. Under the regulations the records are expected to be 100% present and accurate and up to date. The Fund's aim is to maintain a proportionate approach to record keeping and data quality, considering resources and aiming to achieve compliance and then over time, 'best in class'.

- 4.2 The Fund has retested the data held against the legislative requirements where possible. This testing will develop over time, as the reporting functionality is added to the administration system by the software supplier. The results (included in Appendix 1) indicate there are no material gaps or areas of concern, however we are aware of the following issues:

<b>Data set</b>	<b>Number of members</b>	<b>Action</b>
Missing or incorrect Gender	41 (active members)	These have all been identified and amended
Last known postal address (missing address and/or postcode)	3286	3286 members do not have a valid postcode, this relates to overseas members (2387) and those members we are unable to trace (899). Where returned post is received, the Fund contacts employers and/or uses tracing agencies to obtain up-to-date address information which is then subject to a verification process. Web portal provides members with a facility to self-serve change of address.
NI number (Temporary NI held)	805	585 relate to Preserved refunds/Unclaimed benefits where the member has not claimed their benefits and we are unable to trace them and obtain this data. Note an NI number will not be available in all cases e.g. beneficiaries under the age of 16 (211). The remaining 9 cases are being investigated.
Employer or member contributions paid in relation to each active member (members have no contribution history)	11,109	Approximately 87% of these are potential/confirmed leavers. Missing salary information is actively being investigated as part of the review of annual return data. The Fund is reliant on the accuracy of the salary information provided by employers each year.

- 4.3 Since the last review was carried out in November 2015, the number of members with missing addresses has reduced but more gaps in contributions (and salary) records have been identified through the 2015 annual return exercise and outstanding leaver notifications.
- 4.4 Actions have been identified to further review and address areas where data is incomplete or requires review. The data review will be revisited on a six monthly basis for monitoring purposes and to incorporate new reporting and data available at that time.

## 5.0 Customer Journey Mapping (CJM)

- 5.1 Customer Journey Mapping is a method by which an organisation can engage with its customers to chart their 'journey' in order to help gauge levels of satisfaction vs levels of expectation. Following the large increase in errors from the 2014/2015 Annual Returns the Fund wanted to look at the employers' experience of this process and how this could be improved. Three workshops were held in February and were attended by 20 employers with representatives from a range of employer types including, academies, further education, major scheduled bodies (including 2 district councils) and admitted bodies.
- 5.2 From the discussions held during the sessions an action plan identifying improvements was produced. These have been categorised into 'short', 'medium' and 'long' term goals, with the short term goals being implemented for this year's process. This includes:
- A guide for employers which translates the annual return process errors into 'plain English' standard text along with details of what the error means in practical terms and what action is required by the employer
  - Production and issue of acknowledgement emails to employers once the annual return file has been processed at the initial stage, to confirm whether it uploaded without error or whether feedback is to follow.
- 5.3 Another key development area identified from the workshops is the production of bespoke support for employers in determining assumed pensionable pay and the 365 full time equivalent pay, this will be in the form of bespoke coaching sessions and building on the guidance and examples in place. This support will be rolled out in 2016 and it is envisaged that this will improve the quality of the data provided by employers.
- 6.0 Transition to monthly data and contribution submissions with employers**
- 6.1 The Fund is in the initial stages of planning the transition from the annual submission of earnings and contributions by employers to monthly. The aim will be to receive one file (in a standard format) a month (by 19<sup>th</sup>) from employers which will consolidate three current methods of data exchanges with employers. This monthly submission will enable the Fund to process new joiners, member changes, post employee and employer contributions, identify leavers and produce a financial remittance advice on a monthly basis. Work is underway with the software supplier to specify the changes required to the pension administration system.
- 6.2 This regular exchange of data with employers will improve the quality of the data held by the Fund and streamline the financial reconciliation process. The early identification of missing leaver data and joiner notifications will enable the resolution of these queries throughout the year as business as usual activity, rather than once a year and sometimes up to 12 months post the event. It is envisaged that it will also reduce the volume of work required by employers to meet their statutory requirements and the number of individual processes to be completed by the Fund.
- 6.3 It must be noted that these efficiencies will be realised in the long term, and this is a fundamental change to the way the Fund and employers exchange data and will require

significant input from both parties during its implementation. Engagement with employers will commence in June 2016.

## **7.0 Financial implications**

- 7.1 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.

## **8.0 Legal implications**

- 8.1 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.
- 8.2 The Fund is able to impose penalties on employers (to cover any fines or costs incurred) through its adopted pension administration strategy.

## **9.0 Equalities implications**

- 9.1 There are no implications contained within this report

## **10.0 Environmental implications**

- 10.1 There are no implications contained within this report

## **11.0 Human resources implications**

- 11.1 There are no implications contained within this report

## **12.0 Corporate landlord implications**

- 12.1 There are no implications contained within this report

## **13.0 Schedule of background papers**

- 13.1 West Midlands Pension Fund, Pensions Administration Strategy 2015  
<http://www.wmpfonline.com/CHttpHandler.ashx?id=6944&p=0>
- 13.2 Public Service Pensions Act 2013  
<http://www.legislation.gov.uk/ukpga/2013/25/contents>
- 13.3 The Pensions Regulator's code of Practice  
<http://www.thepensionsregulator.gov.uk/doc-library/codes.aspx>
- 13.4 The Scheme Advisory Board's statutory guidance.  
<http://www.lgpsboard.org/index.php/about-the-board/board-guidance>

## Appendix 1

### Assessment of Fund data relative to the requirements set out in The Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014

The table below summarises the results of a review of the data held by the Fund. Where reports are available to test this data ("UPM TPR reports") they have been run. Otherwise, a review of the data held has been carried out to assess whether or not the information would be held by the Fund, based on the processes currently in place and embedded within the Fund administration system. In some cases a further review of historic records is required to confirm the likely completeness of the data for all members. A risk indicator is given to highlight potential risks or areas requiring data cleansing and/or further investigation. In line with guidance from the Pensions Regulator, a proportionate approach is being adopted to monitoring and data cleansing, with the next review planned for May 2016.

Requirement	Assessment / observation (May 2016)	Risk / result	Total number failed and member type
<b>Member and Beneficiary information</b>			
Name	UPM TPR report available. Minimal risk contained in this area as a forename and surname has to be provided to create a members record. They are never deleted and left blank, only replaced if they change and we are notified.	100%	
Date of birth	UPM TPR report available. Minimal risk contained in this area as a date of birth has to be given to create a members record by the employer. If the member advises us it is incorrect then we will amend upon sight of the birth certificate.	100%	
Gender	UPM TPR report available. Minimal risk contained in this area as a gender has to be given to create a members record by the employer. UPM TPR report run will identify if the gender does not match title and they are then amended if the employer supplied them incorrectly.	99.99%	41 (active) (see note 1)
Last known postal address	TPR report available for address and post code held against a local identifier. Where we have received returned post and cannot locate the members new address we insert the Funds address which is not the last known address. Last known address will be held in the documents on the record.	99.43%	3286 (see note 2)
Member's scheme identification number	It is not possible to have a pension record without a member scheme identification number within UPM. Minimal risk contained in this area. No report available to show missing identification numbers as it would be redundant.		

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NI Number	UPM TPR report available. Minimal risk contained in this area as an NI Number has to be given to create a members record by the employer. The report will show any with a temporary number, these are then fed back to the employer to amend.	99.43%	Temporary NI held for 805 (see note 3.)
For active , deferred and pensioner member;			
Date of joining and leaving	UPM TPR reports for start & leave dates available. No risk contained in these areas. Date of joining has to be present to create a new members record and in order for a member to change from an active member to other, they need to submit a leave date amongst other data.	100%	
Details of employment with any employer in the scheme	UPM TPR report for employer name held is available.	100%	
Period of pensionable service in that employment	No report currently available to pull this information. However the information is held in the service & salary screen/table and also the status history screen/table. This information is held for each member who has contributed to the scheme.		
Amount of pensionable earnings in each year of that employment	No specific report currently available to pull this information. However the information is uploaded to the earnings and contributions screen/table each year through the annual returns process. The employers provide the information for all their employees on a schedule which is uploaded to the identified record for each member on said schedule. The quality is unknown.	(see note 4.)	
In respect of each member's rights or beneficiary entitlement			
Formula used in calculating the member's or beneficiary's pension or benefit	No report currently available to pull this information. The information is not retained in a specific screen or table but is held on a document on the individual records once the calculation has been done. There will be the benefit statements each year, any provisional quotes (estimates) requested and then finally when they retire or are due a benefit from us the final calculation will be done to inform them of the pension/benefit. There is minimal risk as the information is held in the document list of the relevant record.		
The percentage to be applied in respect of revaluation for each year to the member's accrued rights	No report currently available to pull this information. Under the new 2014 regulations each members' active record has to be revaluated. The percentage can be found in the CARE table on the individual member record where it states revaluation rate. We feel there is minimal risk as revaluation takes place each year for all relevant active members.		



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Any increase to be applied to the pensioner member's or beneficiary pension or benefit in payment in each year.	No report currently available to pull this information. We feel there is minimal risk as the increase is added each year for all relevant pension/beneficiary members. Before the annual run a data cleansing exercise is done. Once the run has been done a report is produced with any failures and they are then analysed and corrected individually.		
Pension debit Information relevant to calculating any reduction to the member's rights.	No report currently available to pull this information. However the information for each relevant member can be found on the Court Order screen/table. This information has to be entered as part of the Divorce Settlement process and so we feel there is minimal risk with this data.		
Pension credit Information relevant to calculating each member's rights	No report currently available to pull this information. However the information for each Deferred Ex-Spouse status can be found on the Pension History screen/table. This information has to be entered as part of the Divorce Settlement process and so we feel there is minimal risk with this data.		
<b>Records of Transactions</b>			
Employer or member contributions paid in relation to each active member	UPM TPR report available for member contributions. This information is found on the earnings & contribution screen/table. There is no report for the employer contributions however from 2014/2015 this is now added to & found on the same screen/table as the member contributions. As the information is now put on the screens mentioned, through the annual returns process, there is minimal risk moving forward	90% of members have contribution history	11,109 members have no contribution history
Pension and benefit payments			
Date of payment	There isn't a report available for this area. The Lump Sum payments are held on outgoing single payments. The status history screen/table shows the date the member became a pensioner, the date they were paid pension from and on the payroll record for the member it shows the frequency and on the payroll transaction enquiry screen is shows the payment dates for pension paid. The lump sum payment details have to be retained due to the process they are done through so there is no risk of it being missing. The date of payment for pension benefits cannot be missed as this is set for all relevant eligible payees when the payroll process is started once the previous months has ended. This is a UPM process & has to be done so there is minimal risk of the data being missing.		
Payments made to any member who leaves the scheme other than on a transfer	We believe that this covers Refunds of contributions to members.		

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Members name	UPM TPR report available. Information can be found in the folder details. Members name has to be on a record for it to exist. There is minimal risk moving forward.	100%	
Leaving date	This can be found in the Status History screen/table. As part of the refund process this information has to be entered and so there is minimal risk of it being missing.		
Member's entitlement at that date	This information can be found in the Status History Screen/table on the Full Refund line. As part of the refund process in UPM this information is automatically written back as part of the calculation and so we feel there is no risk associated with this.		
Method for calculating any entitlement under the scheme	This information is not found on a screen or table. It can be found in the document list as a calculation document. This is produced as part of the refund calculation and so there is no risk of it being missing.		
How the entitlement was discharged	This information is found in the Single Outgoing Payment screen/table under payment method. This is automatically added when payment is made as part of the UPM refund process and so there is minimal risk of it being missing.		
Receipt or payment of money or assets relating to the transfer of members into or out of the scheme	There isn't a report available for the 5 areas mentioned below. The information mentioned is dealt with through the Transfer In process & the Transfer Out process.		
Member's name	Information can be found in the folder details. Members name has to be on a record for it to exist. There is minimal risk in this being missing.	100%	
Transfer terms	Information is held in the Transfer screen/table and would either depict "Occupational" or "Private".		
Name of scheme member has transferred into or out	For a Transfer In, the name can be found in the transfer screen/table. This has to be entered as part of the process and so poses minimal risk of being missed. For a Transfer Out, the name of the scheme can be found in the Single Outgoing Payments screen/table. As this is done through the process it poses minimal risk of being missing.		
Transfer date	For a Transfer In, the transfer date can be found in the transfer screen/table. This has to be entered as part of the process and so poses no risk of being missed. For a Transfer Out, the transfer date can be found in the Single Outgoing Payments screen/table. As this is done through the process it poses minimal risk of being missing.		

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Date of receipt or payment of money or assets	For a Transfer In & a Transfer Out the date of receipt or date of payment can be found in the Single Incoming Payment screen/table and the Single Outgoing Payment screen/table.		
Payments made by or on behalf of the scheme manager to any person, except pension and benefit payments and payments made to members who leave the scheme (other than on a transfer)	Unclear what this may include. Our interpretation is: Death grants, balance of pension for estates or beneficiaries, Compensatory payments. There are no reports for the information required.		
Name and address of person that payment was made to	Beneficiary Details View screen/table will show death grant payments, the payee and their address can be found in the table behind the initial information held. For balance of pension payments the name and address is held on the RB2 form held in the documents and also the Balance of Payment Request form. It is not held on a screen or table. No screen specific to compensatory payments.		
Reason for payment	This can be found on the beneficiary details view screen for Death grants. The balance of pension payment reason is held on the manual calculation sheet on UPM in the document list and also identified in the coding used to upload to the ledger which is written back to Agresso when the payment is made.		
Any movement or transfer of assets from the scheme to any person	We are making an assumption that AVC retirement payments come under this section. Where either Prudential or Equitable life send us monies via cheque or Bacs to then be paid from us to the member. Further investigation into this is required but most payments go direct from Prudential to the member.		
Name and address of the person that the assets were moved or transferred to	As above		
Reason for transaction	As above		
Payments made to any employer participating in the scheme	We would only expect payments to fall due to an employer if an overpayment is made. In practice these are generally addressed through adjustments to subsequent payments rather than a return of monies to employers.		

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Any amount due to the scheme that has been written off in the scheme's accounts	This is now done through the Agresso system. Everything is run through an action and reports can be run off for them. The reports and Accounts produced each year will also contain this information and overpayments of pension benefits are recorded manually on a spread sheet. They are then analysed and updated quarterly. There is a screen that could be utilised in UPM called Overpayment table once it is unhidden/made available. Reports could possibly then be run for them. Discussions with the managers involved suggest minimal risk with missing data.		
Any other payment to the scheme	There is potential in the future to receive payments for fast track divorce cases or multiple quotes. If this is agreed or used then the information below would need to be integrated into the UPM system when dealing with them. As of now there are no other types for this area, so for now there is no known risk.		
Name and address of the person from whom it is received	As above		
Where a payment is made in respect of a member, name of member	As above		

Notes:

1. 41 members have an incorrect gender recorded for members title. These have been amended.
2. Where returned post is received, the Fund contacts employers and/or uses tracing agencies to obtain up-to-date address information which is then subject to a verification process. Web portal provides members with a facility to self-serve change of address. 3285 members do not have a valid postcode, this relates to overseas members and those members we are unable to trace.
3. The introduction of bulk data imports (BDI) for joiners in 2014 prevents the use of temporary NI numbers so the use of temporary NI numbers is historic. The Fund will liaise with employers to cleanse this data (noting that it will not be available in all cases e.g. beneficiaries under the age of 16).
4. Missing salary information is actively being investigated as part of the review of annual return data. Post 2014, under the new scheme and salary definition the Fund is reliant on the accuracy of the salary information provided by employers each year.
5. A number of the Fund's historic records are held on microfiche. These files continue to be reviewed and scanned on to member files to enhance the Fund's electronic records.