

# Pensions Committee

14 September 2016

<b>Report title</b>	Data Quality – quarterly update	
<b>Originating service</b>	Pension Services	
<b>Accountable employee(s)</b>	Amy Regler Tel Email	Business Performance and Data Manager 01902 554643 Amy.regler@wolverhampton.gov.uk
<b>Report has been considered by</b>	Rachel Brothwood Tel Email	Director of Pensions 01902 551715 Rachel.brothwood@wolverhampton.gov.uk

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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
2. The Fund's transition to more frequent exchange of data with employers

## **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, report the performance attained by employers on delivery of the 2016 annual return and to summarise the plans in place to make further improvements to data quality and move to more frequent exchanges of data.

## **2.0 Background**

- 2.1 As previously reported, 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 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
- application of charges/re-charges on employers to reflect late receipt of annual return files and poor quality of data
- review of annual return errors and issue of analysis to employers
- 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

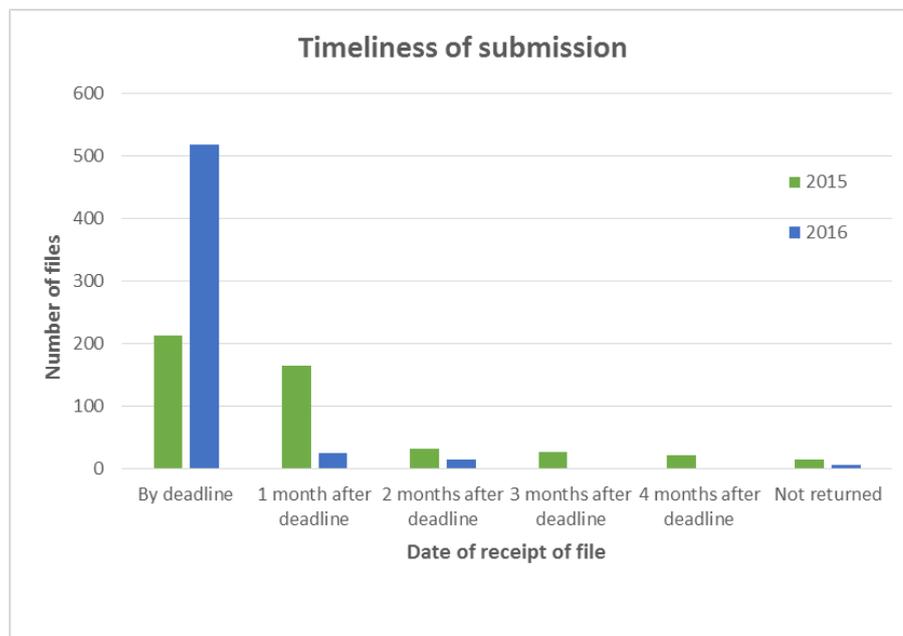
## **3.0 2016 annual return – employer performance**

- 3.1 There are two key areas in which we measure employer performance for annual returns:

- the timeliness of the submissions, and;
- the quality of the data provided

- 3.2 The Fund has seen a significant increase in the performance of employers for the 2016 annual return process. 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. In terms of data quality, overall we saw a 63% reduction in the total number of errors in 2016, which is a reduction from 31,892 in 2015 to 11,674 in 2016. Furthermore, 133 of the files received had a 0% error rate and required no manual intervention from the Fund.

This is also an improvement on the 2014 year, which was before the data requirements changed due to the scheme changes and introduction of the new CARE scheme from April 2014. The improvement in performance is illustrated in the graphs overleaf:



*\*Number of employers increased by 11% in 2016*

- 3.3 Those employers who delivered their 2016 Annual Return late or had significant issues with their data will be fined and additional costs re-charged in line with the Fund's Pensions Administration Strategy and revised charging structure set in March 2016. A total of 66 (12%) employers are being charged for late submission of their data file and/or final statement, and a further 49 (9%) employers for not returning their file which was rejected due to issues within the two week period allowed for completing the amendments.
- 3.4 The timely receipt and improved quality has enabled the production of annual benefit statements and actuarial valuation extracts to progress within tight timeframes set.

- 3.5 The Fund has and continues to take a number of actions to engage with employers to improve the quality of the data held. These include:
- Detailed review of the errors encountered in the annual return process
  - Reporting back to individual employers on the issues with their files and data gaps for further investigation
  - Plans for the development of wider employer briefing and coaching
  - Face-to-face meetings with larger employers with regular follow-up on the actions required

3.6 Work is now underway to issue individual employer analysis of the 2016 return and other data to employers by the end of September. Following the completion of this process, a full analysis of outstanding data queries alongside the performance against tPR standards will be reported to Committee in December. Some of the typical known issues to date include, missing notifications for joiners and leavers, missing addresses and missing hours for casual workers.

#### **4.0 Transition to monthly data and contribution submissions with employers**

4.1 The Fund is in the implementation phase for 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 progressing with the Fund's administration software supplier to specify and develop the changes required to the pension administration system to enable the more frequent and streamlined processes to be implemented.

4.2 This regular exchange of data with employers will improve the quality of the data held by the Fund and automate 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.

4.3 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.

4.4 The Fund is working towards going live with this new process from April 2017 and is encouraging employers to aim for this date also. A pilot period for employers will be undertaken from January 2017 with a final implementation date of September 2017 for all employers.

4.5 Engagement with employers is underway, and a meeting was held on 30 June with 13 of our largest employers to talk through this transition and the key aspects for employers. In addition, this project was covered as part of the Mid-Year Review in July and all employers have been contacted by email. Feedback has generally been positive from employers, and all of the local authority employers are working to meet the go live date of September 2017. Further workshops for employers are planned for the Autumn.

## **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. As detailed above the Fund is in the process of issuing charges to recover costs for the late submission of annual return files.

## **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>

This report is PUBLIC  
[NOT PROTECTIVELY MARKED]

- 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>