Division(s):n/a

PENSION FUND COMMITTEE – 6 SEPTEMBER 2019

IMPROVEMENT PLAN

Report by the Director of Finance

RECOMMENDATION

1. The Committee is RECOMMENDED to note the latest position with regard to the implementation of the Improvement Plan.

Introduction

2. At their March 2019 meeting the Committee received the final version of the Improvement Plan which had been signed off by the Pension Regulator. The Committee resolved to receive quarterly update reports on progress against the Improvement Plan, including presentations from the Team Leaders within the Pension Services Team responsible for delivering the component parts of the Plan.

3. Due to the publication requirements, this report was produced before 31 August deadline for the issuance of Annual Benefit Statements, a key deadline within the Improvement Plan. This report sets out the progress against achieving the Plan to the date of publication and a verbal update will be provided at Committee regarding final performance against the statutory deadline.

Progress against Improvement Plan Milestones

4. The first two key objectives set out in the Improvement Plan were the issuance of 100% of the Annual Benefit Statements to both active and deferred members by the statutory deadline of 31 August 2019. It was noted that performance of 98% or above was likely to be sufficient to avoid the need to provide a breach of regulation report to the Pension Regulator for the Fund as a whole, though breach reports may still be required in respect of individual scheme employers.

5. The key tasks to enable this objective to be achieved were set out in the Improvement Plan. The key requirements were timely and accurate data returns from scheme employers and sufficient staff recruited within the Pension Services Team to process the data once received. The paperwork being sent out to scheme employers was reviewed with input from employers, and training sessions were made available. There was insufficient take up on these training sessions for them to be run.

6. Despite the preparation work, 90 end of year returns received from scheme employers failed the initial validation checks, including the check that the return balanced to the contributions paid into the Fund over the course of the year. This represents just under half of the returns received (48%).

7. The delays is receiving accurate end of year returns has created problems for both Pension Services and for all scheme employers, as we had to divert resources to support those employers where corrections were required to the return, and therefore were delayed in sending out subsequent queries to all employers. This has shortened the period available to resolve the queries on the data itself, including cases where employers have previously forgotten to submit starter or leaver forms, or where pay levels have moved outside tolerance levels between years.

8. Staff from within the Benefits Team in Pension Services have been temporarily transferred to the Employers Team to support the work in resolving queries, and in most cases, employers have responded promptly to the queries. Whilst at the time of writing there is still much to be completed before the Annual Benefit Statements can be issued, we are confident that we can achieve a minimum of 98% to avoid the need of a referral back to the Pension Regulator.

9. There have been a small number of employers where responses have been delayed beyond deadlines set, and where fines have been issued under the Administration Strategy. Two employers were fined £150 for the late return of their End of Year data, where they missed both the initial deadline and a follow up deadline. Four employers were fined £75 for late responses to queries, again where they missed both an initial and follow up deadline. Two employers were fined £150 each, comprising of £75 for delays in responding to queries, and then a further £75 when Pension Services were required to re-do the work once submitted.

10. The position with respect to Edwards and Ward is still under investigation, both in respect of the quality of data submitted and the issue of those staff not entered into the LGPS at the point of TUPE.

11. Following the conclusion of the work to issue the statements by the end of August deadline, a post project review will be completed, including a questionnaire to scheme employers to determine what further lessons can be learnt from this year's exercise, to lead to further improvements in the process for the 2019/20 statements.

12. The third key objective within the Improvement Plan was to issue Pension Savings Statements to those members who may face a tax charge in respect of the accrued benefits by the statutory deadline of 6 October 2019. Achievement of this objective is dependant on receiving the same timely and accurate data needed for the issuance of the Annual Benefit Statements, with an extended period to resolve any outstanding queries. Based on the position reported on Annual Benefit Statements above, we are confident that the objective in respect of Pension Saving Statements will be met.

13. The last two key objectives were in respect of our data quality scores, where we have set targets of 98% for both Common Data and Scheme Specific Data when we report to the Pension Regulator, expected to be in November 2019. These targets were set on the basis of the definitions used in compiling our reports last year, though a key action in the Improvement Plan was to work with the Scheme Advisory Board to produce a standard set of definitions, to be used consistently across the LGPS, which measured data quality for those items required to enable us to fulfil our statutory responsibilities.

14. On 4 July 2019, the working group set up to develop a set of standardised scheme specific data issued their proposals. These have been developed in conjunctions with system suppliers, representative administering authorities, fund actuaries and the Pension Regulator. The number of data fields to be tested has been reduced from 47 to 22. Further guidance on completing the tests is expected shortly.

15. In line with the steps within the Improvement Plan, we have run an interim set of data quality checks on the current data set. This run was undertaken following the submission of the data to the Fund Actuary for the current Valuation exercise, but before completion of the resolution of the individual queries associated with the year end returns (the Actuary is happy to work with the data received and make assumptions where necessary to completion the valuation exercise).

16. The scores from the current run were:

- Common Data 95.3%
- Scheme Specific Data 96.3%

17. The scores from last year's exercise which are not directly comparable were 96.9%, and 94.6% respectively.

18. The main areas where tests failed were in national insurance numbers and address details for common data, and CARE data and contracted out data (including guaranteed minimum pension GMP data) for scheme specific data. Follow up work will now be undertaken to correct as many of these records as possible before the final run of the tests to submit data to the Pension Regulator. This includes the use of an address tracing agency to identify missing addresses. Given the delays in the GMP project resulting from changes to the timetable by the Department of Works and Pensions, it may not be possible to address all the outstanding queries in this area by the November return.

19. Indications from Heywoods who ran the tests for us are that our results are currently at the higher end in respect the tests they have run. With the further work identified to further improve our scores before submission is due to the Pension Regulator we are confident that no follow up action will be required.

20. The second set of service measures in the Improvement Plan relate to the business as usual performance measures. These are contained within the

separate Administration report, and include the interim targets agreed by the Committee to reflect the need for a phased return to the long term target levels, from the sub-standard levels achieved whilst resources had been diverted to dealing with the backlog of work and cleaning our member data.

21. Two other areas were covered within the Improvement Plan. The first related to the significant levels of risk within the Plan associated with the level of vacancies held across the various teams within Pension Services. Following a review of our job descriptions and advertising policy, we concluded a successful recruitment round and whilst there have been two further resignations from the Team, we are now working much closer to the established levels. It will take some time though for all the new staff to be fully trained, and the team to operate at full capacity.

22. The final area of the Improvement Plan is the iConnect project, which is progressing well. At the time of writing this report, 67 scheme employers have gone live with iConnect. These are mainly fairly small employers from phase 1, all the Parish and Town Councils from phase 2, and a number of smaller schools and outsourced providers from phase 3. There are a couple of the larger academy trusts who have gone live or are due to go live this month. The rest of the phase 3 employers should be live by the end of 2019.

23. We continue to work with Oxford Brookes University, our second largest employer, initially included in phase 1, and we should be testing an iConnect file in parallel to their normal monthly submission in September. Planning for the phase 4 group is well underway including Oxford City Council and the Access Group who provide payroll services to several academies. These are on target for the end of this financial year.

24. There will be a tidy up phase 5 to pick up new employers, and any that are unable to complete in the first 4 phases, e.g. one of the District Councils has asked for a delay to phase 5 to allow them to change payroll provider later this financial year. All employers should be live on iConnect in line with the 31 August 2020 target date.

25. The Project Team is continuing to develop the support tools and website information from those employers who have gone live, as well as looking at the implications for the ways of working within the Pension Services Teams to reflect the increased automation of the process.

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