

## OXFORDSHIRE LOCAL PENSION BOARD – 7 APRIL 2017

### EMPLOYER MANAGEMENT

#### Report by the Director of Finance

##### Introduction

1. This report is the latest in a series of reports to this Board and the Pension Fund Committee on the issues associated with the management of scheme data from the Fund employers.
2. The current problems in respect of the timely and accurate receipt of scheme member data impacts on service delivery in a number of ways. One of the more high profile impacts is the delays in issuing Annual Benefit Statements. As covered in previous updates, we have again reported ourselves to the Pension Regulator due to the significant numbers of statements not issued in accordance with the regulatory timescale.
3. The Pension Regulator has now been in touch with us, and has asked us to set out a project plan to address the current issues, and to ensure we are in a position to send out the 2016/17 annual Benefit Statements by the end of August 2017. This Project Plan is included as an annex to this report.

##### Current Position

4. At the time of writing this report, the number of 2015/16 Annual Benefit Statements issued stood at 11,243 which represent 58% of the total active membership. .
5. The key employers where large numbers of statements are still to be issued includes:

• Brookes University	2,129 Outstanding
• Oxfordshire County Council	1,077
• Academy Schools	3,951
6. In the case of the County Council, the outstanding number reflects outstanding data queries in respect of 12.5% of the active membership, with all other members having received a statement. For Brookes University and the Academy Schools, the outstanding number reflects all current active members, where the end of year returns were received late and/or with a high level of errors which prevented the files being loaded to the system.
7. Most of the outstanding data for the Academy Schools and for Brookes University has been received and staff in the Pension Services Team are undertaking final checks and looking to load the data and issue statements. The latest position on these will be reported to the Board at the meeting.

8. Unfortunately, the work with Brookes University and the Academy Schools has been delayed due to the long term absence on sick leave of a key member of the new employer team. This team was set up following approval of additional resources by the Pension Fund Committee in December 2016, but has not been fully operational since it was established due to the absence.
9. In addition to the delays in issuing the annual benefit statements, there is also a significant backlog of work in other areas, most notably the processing of leaver files and those re-employed members. At the time of writing this report, the outstanding number of files for these two areas was 4,344 and 1,374 respectively. These delays do not impact on pension payments, but do represent a breach of statutory timescales.

### **Action Plans for Improvement**

10. As a consequence of the report for the second year running to the Pension Regulator for significant delays in the issuing of the annual benefit statements, we have been in correspondence with the Regulator about next steps.
11. The Regulator is currently looking at both education and enforcement in response to reported breaches of regulatory requirements. The Regulator though does have the right to impose fines for non-compliance.
12. In the case of the Oxfordshire Pension Fund, the Regulator has been keen to understand what has led to the problems with the timely issue of statements, and more importantly what actions are being taken to avoid similar problems in respect of the 2016/17 annual benefit statements. Specifically, the Regulator required us to submit an Action Plan by 31 March 2017. This is included as an annex to this report.
13. Key elements of the action plan include:
  - The establishment of the employer team to provide a clear focus for the work on data returns and working with individual scheme employers.
  - Short term improvements in the monthly data return to take account of concerns raised by scheme employers.
  - Clear rules about what checks should be applied by the employers to their data to ensure it is accurate before submission.
  - A clear vetting process to be applied by the employer team to returns submitted to check the completeness of the return, the fact it has been submitted in the correct format, and the reasonableness of the data included.
  - A clear process for returning submissions which fail the vetting process, which includes clear information on what has caused the fail, and the action required by the employer to correct the submission.
  - A clear escalation process by which failure to send a correct submission is quickly escalated to senior officers within the employer for action.

- Application of the current administration strategy and in particular the use of fines to employers for continued non-compliance with the Fund's requirements.
  - A review of the training programme for both new and established employers to support them in delivering their responsibilities.
  - A longer term review of the returns required by scheme employers, including examining the scope for moving towards a more standard set of returns whereby employers/payroll providers in more than one Fund can develop a single set of returns, and the scope for automating the returns process through i-connect.
14. In line with the Regulators requirements, the Action Plan contains clear target dates for the agreed actions, as well as key performance indicators to enable progress against these actions to be monitored. Future meetings of this Board will receive copies of these indicators to enable the Board to monitor our progress in delivering the agreed actions.
  15. The Action Plan contained as an annex focusses specifically on the issues of the late publication of annual benefit statements, as that is the area being monitored by the Pension Regulator. We have also developed actions to address the backlog in other areas.
  16. A key issue has again been to identify suitable resources to undertake the work to clear the backlog. With the agreement of the Pension Fund Committee in December 2016, we have joined one of the national LGPS procurement frameworks to enable us to procure additional resources from external companies to undertake the work.
  17. The backlog of queries goes back over a number of years, although the majority are since the implementation of the new CARE scheme from 1 April 2014. For the oldest cases, it is unlikely that we will be able to fully reconcile the information held on the pension record with that held by the employer, given the passage of time. The Action Plan therefore focuses on the process to confirm information from existing pension records where there is a missing return from the employer, or where there is a discrepancy between the information held on the pension record and the return from the employer.
  18. For the more recent records, the action plan reviews tolerance levels in respect of discrepancies in the information from the employer and the individual's pension record, particularly where there is alternative further information to support the employer's return e.g. where a material increase in final pay above the previous figure held on the record is supported by a corresponding increase in pension contributions received, or there is a file note referencing a promotion.
  19. In all cases, the individual scheme member has the right to challenge the data used in any calculation and to provide any evidence to support an alternative calculation.

- 20. The Board are invited to note the latest position on employer management and the proposed actions to address the issues, and to offer any comments to the Pension Fund Committee.**

Sean Collins  
Service Manager (Pensions)

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