

OXFORDSHIRE LOCAL PENSION BOARD – 13 JANUARY 2017

EMPLOYER MANAGEMENT

Report by the Chief Finance Officer

Introduction

1. At the October meeting of the Pension Board, Board Members spent some time considering the latest position on information flow into the Fund and the delays in the issuing of annual benefit statements. Members raised concerns about the lack of information on how many scheme members were missing more than just their last annual benefit statement, and suggested options to improve communications with such members going forward. Other proposals were raised to improve the overall performance in this area.
2. As requested by the Board, this report provides an update on the position, including the subsequent discussion and decisions of the Pension Fund Committee when it discussed this issue at its December meeting.

Current Position

3. The Board's concerns were passed on to the Pension Fund Committee at its meeting in December 2016, with Cllr Bob Johnston highlighting the key issues as covered in the minutes of the October Board meeting. The Officer report to the Committee is included as an Annex to this report.
4. One of the major concerns expressed by the Board was in respect of a lack of information on the number of scheme members who had not received an Annual Benefit Statement over more than one year. Annex 2 to the December Committee report provided the information requested by the Board.
5. This data showed that at the time the information was compiled, just under 49% of the active scheme members had yet to receive their Annual Benefit Statement for 2015/16. Within that number, 2,572 individuals (13% of the active membership) were also missing an annual benefit statement for a previous year, with 655 active members (3%) missing more than 2 statements. There were 193 active members (1%) who had never received an annual benefit statement since they were introduced in 2005/06. (Figures will be updated at the Board meeting itself).
6. Whilst these figures show that 97% of the active members have received an annual benefit statement in the last three years, they also indicate an unacceptable number of cases where outstanding data queries mean members have not received any up to date information on their potential pension benefits, or indeed have never received a statement.
7. The December Committee report also highlighted delays in producing the statutory statements for those scheme members who have left the scheme,

and delays in producing information in respect of out-sourcings due to the overall issues with the quality of scheme member data.

8. The key proposal within the Committee report to address these issues was to re-structure the Pension Services team to introduce a sub-team to specifically focus on the relationship with scheme employers and to ensure the receipt of timely and accurate data. This team would be responsible for working with new employers to ensure all understood their responsibilities from the outset, and then for working with all employers to ensure the timely and accurate submission of their monthly and year end data. This work would include the provision of training and support as required.
9. As part of the establishment of the new team, we have reviewed the current monthly data returns with the support of a small employer group to simplify the form and improve the guidance notes. These notes will re-iterate the responsibilities of all employers, making it clear what checks they should make before submitting the data.
10. The processes within the employer team will also be developed to set out clearly what checks they will undertake on the data submitted and the escalation processes to be followed when the checks are failed. A key target will be to resolve queries before the submission of the following month's return so reducing the numbers of repeat errors, and ensuring employers have the opportunity to learn from their mistakes at the earliest opportunity. It is hoped that by having a small team dedicated to working with employers, that relationships will be strengthened, leading to reduced issues in the future.
11. It should be noted that the proposal as agreed by the Committee increases the overall establishment of the Pension Services Team by 5.81fte. From discussions held with colleagues across other authorities within the Brunel Partnership, it would appear that others are looking to similar increases to meet similar increases in workloads. The costs will be met by all employers as part of their contribution rates, and will hopefully help to avoid future costs in the forms of fines from the Pension Regulator.
12. As well as addressing the issue of data quality going forward, the Committee agreed the approach to address the current backlogs of work which will include addressing the outstanding data queries which are holding up the production of leaver statements and the remaining annual benefit statements. The LGPS funds as a whole have established a framework whereby individual funds can call off support without having to go through the full procurement process, reflecting the national issues with workloads. It is intended to utilise underspending within this year's budget to bring in resources from one of the framework suppliers to assist us in addressing the backlog of work.
13. In the longer term, we are also looking at implementing greater automation into the process for receiving data from the employers. This would be through a product named iConnect, developed by our pension system supplier and which is already in use across a number of other Funds. It is hoped that

implementing iConnect will in part address one of the other concerns raised by the Board at their October meeting in terms of looking at a more standard return for employer data for those employers sending data to multiple Funds.

14. In terms of the other main issues raised by the Board at their October meeting, we have discussed within the team the options of communicating with scheme members where we are not in a position to produce an annual benefit statement in accordance with the statutory deadline. As noted above, we will be looking to develop a clear set of checks for both employers and the employer's team to implement, with a clear escalation process, such that the number of outstanding queries in the run up to the production of the annual benefit statements should be significantly reduced.
15. The consensus is that those where their statement has been delayed due to outstanding queries should get a separate letter to explain the absence of a statement. This is seen as preferable to the option of trying to load data known to have failed the key checks and sending out an annual benefit statement on the basis of this data with health warnings.
16. We will also be developing an improved set of key performance indicators which will allow both the Committee and the Board to monitor at each of their meetings the numbers of employers with late or inaccurate monthly returns, the number of records with outstanding data queries and the numbers of annual benefit and leaver statements issued within statutory deadlines. The KPI report will enable the Committee and Board to identify any employers with persistent issues. The Board may choose to invite representatives of such employers to attend future Board meetings to discuss issues in relation to their failure to provide accurate and timely data in accordance with their responsibilities on the Regulations.
17. **The Board are invited to note the latest position on employer management and offer any further comments. As the full performance model is developed following completion of the 2016 Valuation, further reports will be brought to the Board for their information and consideration.**

Lorna Baxter

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Background documents: Nil

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