

OXFORDSHIRE LOCAL PENSION BOARD – 20 OCTOBER 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. As previously discussed, one of the key performance indicators by which we can monitor the quality of scheme data is the number of Annual Benefit Statements issued by the statutory deadline of 31 August 2017. This report updates the position as at 31 August, 2017 and discusses some of the lessons learned from this year's exercise and some of the changes proposed to further improve the position going forward.

Position as at 31 August 2017

3. As at 31 August 2017, we had 19,261 active records on the pensions system. This number reflected all the starter and leaver forms received from scheme employers and processed by the pension services team. Any outstanding starter or leaver forms would amend the total number of active members who should have received an Annual Benefit Statement.
4. We had issued 14,821 statements to active members by the statutory deadline of 31 August 2017. This represents 77% of the active membership. This is a significant improvement on the figures of 0% by 31 August 2015, and 50% for 31 August 2016. It does though still fall short of the Pension Regulator's expectations, and we therefore have reported a further breach against our regulatory responsibilities.
5. There were three main groups of staff who did not receive their Annual Benefit Statement by the end of August as follows:
 - Scheme members where the pension services team has identified a query on the scheme members record, and are in the process of resolving this query. Some of these queries are long standing, and may relate to discrepancies in pay levels between years, missing data etc. In total, the records of 1,513 active members had a flag set indicating an outstanding query. Just under half of these queries related to employees of the County Council, with other significant numbers at Oxford Brookes University, Oxford City Council, Activate Learning and a number of Academy Schools.
 - Scheme members where we had not received data of sufficient quality from the scheme employer in time for it to be loaded into

the system before the deadline to issue statements. In a number of these cases, work is still on-going with the scheme employer to resolve the outstanding data issues to allow information to be loaded into the system. In total, there were 2,023 active scheme members employed by scheme employers where no active members received a statement by the end of August. The majority of scheme employers within this group are Academy Schools, with the largest numbers at the River Learning Trust and The Oxford Diocesan Trust (over 800 scheme members between the two employers). Other than academy schools, scheme employers in this group included Carillion, Orders of St John and the Reablement Service.

- The majority of the third group of impacted staff were 818 records at Oxford Brookes University where staff are employed on variable hour contracts, and considerable work has been on-going to ensure the accuracy of individual records. The other main section in this group were 78 staff at Vale Academy Trust where the delay in producing statement related to the work required to re-align records following the transfer of a further academy school into the Trust.

6. Since the 31 August 2017, a further 465 statements have been issued up to the point of writing this report, with the majority of these relating to the Oxford Brookes University employees covered by the third group above. A further 55 statements have also been issued to employees at the County Council where the queries on their individual records have been cleared. It is hoped to issue the rest of the outstanding statements (21%) before the end of this calendar year.

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Key issues and Action Plan for 2017/18

7. Officers within the Pension Services Team have completed one workshop to identify the key issues from the administering authority's perspective which lead to the delays in issuing statements this year. We are also in the process of setting up face to face meetings with some of the key employers to understand what worked well, and where they would like to see further improvements. These meetings will include those employers with the highest numbers of outstanding statements, as well as Abingdon and Witney College who have been identified as one with the greatest improvements in results over the last couple of years. Further reports on the outcome of these sessions will be brought back to this Board, and individual employers invited to meet the Board where appropriate.
8. The issues identified within the initial workshop included:
 - A lack of engagement from some employers, both in terms of attendance at meetings and in responding to requests for information
 - A lack of understanding with some employers about the information they are required to return, and the impact on this information where they make changes to their payroll arrangements mid year.

- The impact of queries raised in previous years, which remain outstanding, which then impact again on the current year's records
- The backlog of work within the team which meant that insufficient checks had been undertaken on the monthly returns from employers such that all the work was concentrated in the period when we were also receiving the end of year returns
- The time period for resolving end of year queries is very limited, particularly in respect of the educational establishments within the Fund, where the nature of their work means a number of key staff are on leave during the final few weeks before the 31 August deadline.
- There are a number of key challenges facing new employers, and ensuring records for scheme members impacted by outsourcings or transfers within the academy schools settings are properly aligned.

9. It is acknowledged that these issues place pressure on staff in both the Pension Services team and the individual scheme employers and their payroll providers. A number of potential actions were therefore also proposed to discuss with the employers as part of the face to face meetings. These include:

- The introduction of compulsory briefings prior to the start of the end of year process for those scheme employers who have not previously engaged with the Fund, or who have experienced significant difficulties in previous years in making timely and accurate returns
- Greater use of the charging provisions as set out in the Administration Strategy to encourage employers to ensure they have sufficient resources and processes in place to provide timely and accurate data
- A review of the current resources allocated to checking the monthly returns to ensure earlier escalation of missing returns or poor quality data, such that these issues are largely resolved before the start of the end of year process
- A provisional run of key data loads to again identify issues at an earlier point in the cycle, providing more time for queries to be resolved, and reducing the number of errors in subsequent data submissions
- Look at moving the deadline for the end of year returns from 30 April to 19 April in line with the deadline for the monthly return for March.
- Face to face sessions with employers to talk through known issues (particular issues identified include allocation of payroll references, employees with multiple employments and/or variable hour contracts, assumed pensionable pay in respect of certain staff absences)
- Build in all key issues into the new employer welcome pack so they are clear from the start on their key responsibilities. Pack to include process where staff are transferring from an existing scheme employer as a result of outsourcing or changes relating to academy school structures
- As part of process to issue outstanding annual benefit statements for 2017, review all records where query indicator is set.

10. Alongside this work, Pension Services are continuing to investigate the option of introducing the iConnect system which would automate the monthly submission of data from employers. Sessions have already been held with the system supplier and follow up sessions are to be arranged with other Funds who have already implemented iConnect to pick up areas of best practice and common problems in the implementation of the system.
11. A key issue that we need to explore is the additional work required for scheme employers in establishing the initial routine to extract data from their payroll systems to populate the iConnect file, and how the Fund can support this process. It is important to note that iConnect will not resolve many of the issues scheme employers face where their systems and processes are not set up to deliver the requirements of the Pension Fund.
12. What iConnect will deliver though is a system which will cut out the majority of errors caused by the current manual processes, as well as provide immediate feedback to scheme employers where files are submitted with missing or incorrectly formatted data, allowing earlier resolution of issue. It will also provide an automated tool to chase scheme employers where monthly returns are not submitted against deadlines.
13. **The Board is 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.**

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October 2017