OXFORDSHIRE LOCAL PENSION BOARD – 19 JANUARY 2018

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 reported, 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. For the 2016/17 financial year we issued just over 77% of the annual benefit statements for active members by the statutory deadline. Whilst this was an improvement on the figures of 0% and 50% for 2014/15 and 2015/16 respectively, it still required us to report a breach of the statutory responsibility to the Pension Regulator.

3. This report updates the Board on the subsequent meeting with the Pension Regulator and the latest improvement plan which aims to ensure we are not in a similar position for the 2017/18 financial year's statements.

4. **Meeting with the Pension Regulator**

5. We were asked to meet the Pension Regulator to discuss the latest position and this meeting took place on 12 December 2017. The Pension Regulator was represented by the Case Management Team Leader the Senior Case Manager and two other colleagues, with Oxfordshire represented by Sean Collins and Sally Fox.

6. The meeting began with an update of the current position which indicated we were on target to issue 90% of the statements by 22 December 2017 (final figure as at 22 December 2017 was 91%). Whilst the Pension Regulator accepted this was a significant improvement on previous years, they expressed a strong concern that we had again failed to meet our statutory responsibility and wished to understand what had caused this failure and what actions we had taken to address the issues.

7. We discussed the difficulties experienced by several of the scheme employers in providing us with timely and accurate data, particularly since the increased complexity of the returns associated with operating both CARE and final salary arrangements for the majority of scheme members, with different definitions of pensionable pay. We highlighted the fact that the growth in Academy schools and the increasing number of out-sourced service providers admitted to the scheme, had also contributed to the problems, with many of these new providers having to instruct new payroll providers in our

requirements, and in some cases having to commission development work to produce the required returns.

8. The Pension Regulator understood these issues but felt that the time scale involved in their resolution was too long, and that scheme employers elsewhere in the Country did not seem to be experiencing similar problems. They were particularly interested in the escalation processes followed by us as the Administering Authority, and why we had not fined individual employers nor separately reported any individual employers to the Pension Regulator for contributing to the statutory failure.

9. We did question what evidence the Pension Regulator had to suggest that the issues in Oxfordshire were significantly out of line with elsewhere (other than the self-reported breach). Our understanding is that at present, the Pension Regulator does rely on self-reporting by Administering Authorities, and an analysis of any complaints from individual scheme members about the non-receipt of annual benefit statements. Whilst this suggests the comparison to other Funds may be unsound, the meeting agreed that this should not deflect from the position in Oxfordshire where it is clear that there has been a material problem over the last three years.

10. We also discussed with the Regulator the financial position facing many of the scheme employers within the Fund and the challenge they faced in identifying additional resources to support the process. On this point, the Regulator simply re-iterated that the issue of annual benefit statements by the end of August was a statutory responsibility, and lack of resources was not a valid excuse for failure.

11. The Regulator asked about the involvement of the Pension Fund Committee and the Pension Board in managing this breach of the regulations. They were pleased to note the engagement to date of the Committee and in particular of this Board, who have had more time to dedicate to this issue. The Regulator wished to understand the level of concern of the Committee and the Board to the reputational and financial risks associated with the issue of an improvement notice or a fine, and the subsequent publicity. The Regulator was also keen to understand the training undertaken by the Members of the Pension Fund Committee and the Pension Board, and the extent which they had used the toolkits available on the Regulators website as a means of assessing their skills and knowledge and any gaps across the Committee and/or Board as a whole.

12. In summary, we understood that the view of the Regulator was that we needed a more robust improvement plan, supported by clear communications and appropriate training to all employers, followed by fines, escalation at senior level and reporting of individual employer breaches to the Regulator where any problems persisted. The Regulator asked for a copy of our latest improvement plan to be submitted before Christmas.

13. The conversation with the Regulator also covered wider data quality issues, and they drew attention to their recently published documents on measuring your data and improving your data. They asked for our latest position on the quality of our "Common Data" and our "Scheme Specific Data". Common Data are those basic data items used to identify scheme members and should be held by all schemes for all scheme members. Scheme Specific Data are the items key to running a specific scheme i.e. will vary between defined benefit and defined contribution schemes, or between final salary and CARE schemes. We are currently working with our software supplier to produce the latest report on the completeness and accuracy of our data sets, and will report the figure directly to the Board if they are available at the time of the meeting.

14. The Pension Regulator also discussed the implications of the current backlog of work (which is being addressed by our contracts with ITM), and whether there were further statutory breaches of responsibilities associated with this backlog e.g. failures to issue the required information to scheme leavers. Again, an update will be provided to the Regulator and this born once the review of the current position has been concluded.

Latest Improvement Plan

15. The latest improvement plan submitted to the Pension Regulator is included as an Annex to this report. This plan is targeting the issuing of all 2017/18 Annual Benefit Statements by the statutory deadline of 31 August 2018.

16. A key point made to the Regulator was that although they were concerned with the speed at which the current issues were being dealt with, the work achieved in the publication of the 2016/17 statements would have a considerable knock-on benefit to the issuing of the 2017/18 statements. As only 58% statements were issued in total for 2015/16, it meant that 42% of the records were associated with outstanding issues at the start of the 2016/17 process, which needed to be resolved before work could start on the latest statements. This took a significant resource, which this year can be focussed on just the latest year's data in respect of 91% of the active membership (this figure should increase between now and the end of 2017/18 as we are still working to resolve outstanding queries with the County Council, Brookes University, the Oxford Diocesan Schools Trust and a number of the other Academy Trusts.

17. The process for communicating with scheme employers as part of the 2017/18 statement process has already started. All scheme employers were written to before Christmas to highlight the key points from the meeting with the Regulator, including the fact that the Regulator expected a much more focused escalation process. All scheme employers were asked to confirm the senior person to receive an escalation letter in advance of the issuing of fines and the reporting of a statutory breach by the employer to the Pension Regulator. As part of this process, the Pension Fund Committee also approved a consultation of changes to the Administration Strategy to

streamline the current structure of fines to be in place for the start of the 2017/18 process.

18. All scheme employers were also invited to the Annual Pension Fund Forum on 17 January 2018 where the Pension Regulator had agreed to speak to confirm the responsibilities of the various parties. Any update from the Forum will be reported directly to the Board.

19. We are also looking to set up early meetings before the end of the financial year with those scheme employers identified as presenting the greatest challenges to meeting next year's targets. These meetings will focus on ensuring the scheme employers fully understand their responsibilities, and the implications of any failure to meet them, as well as a discussion on what further actions can be agreed to facilitate the process for 2017/18.

20. The improvement plan includes references to the implementation of i-connect. Whilst the automation of the process should improve the efficiency in future years, it is not seen as a pre-requisite to achieve the 100% target for 2017/18 statements. Similarly, the project to implement Member Self Service for all deferred and active members, so that they can view their statement on-line is seen as a parallel project which will support the issuing of statements if completed in time, but is not a pre-requisite to meeting this year's targets.

21. Other key changes in this year's improvement plan are all targeted to bring forward deadlines from last year, to allow more time to deal with queries following the submission of data. In undertaking this follow up work, we will look to ensure we resolve those issues with our educational establishments in advance of their summer break, so ensuring that key staff are more likely to be available to deal promptly with any queries raised.

22. The Board is invited to note the latest position on employer management and the current improvement plan, and to offer any comments to the Pension Fund Committee.

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