

**REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE, AND  
EMPLOYEES.****LOCAL GOVERNMENT PENSION SCHEME – TRANSFORMING PENSION  
ADMINISTRATION UPDATE REPORT****Purpose of the Report**

1. To update Pension Board on the “transforming pension administration through digital development and new ways of working programme”.
2. To update Pension Board on Pension Committee approval for the next phases of the data audit and improvement work stream.

**Information  
Background**

3. Pension Administration is changing nationally, and in the LGPS with changes to regulations, and with the requirements and scrutiny of the Pension Regulator. LGPS administration needs to reflect this change through the delivery of a range of digital services which include increased automation, significantly reduced manual inputting and amending of member data, ensuring that employers fulfil their responsibilities as a scheme employer within the Fund and for scheme members to be able to access their pension record 24/7.
4. The Pension Regulator has stipulated that it expects Pension Funds to enable scheme employers and members to interact with the Fund via digital platforms.
5. At the September 2019 Pension Committee meeting approval was given to the scope of the Nottinghamshire Pension Fund “transforming pension administration through digital development and new ways of working programme”.
6. The programme consists of 4 key phases
  - Data Audit and Improvement
  - Scheme Employer Portal
  - Hosting Options
  - Members Portal

7. The key aims of the programme are to

- a. Through improved data quality and increased automation move towards “administration by exception”. Ensuring the right people are doing the right tasks at the right time. Enabling our skilled administrators to concentrate on dealing with complex issues, whilst the automation takes care of the very day tasks where possible.
- b. Provide Scheme Employers with portal access to upload validated data, removing paper and manual input into Civica UPM where at all possible and supporting Employers to fulfil their duties under the Pension Administration Strategy
- c. Improve the management and transition of member and financial data through the deployment of monthly returns rather than a yearly return which would support auto loading and processing of new starters, changes and leavers to enable cost efficient and transparent processing
- d. Provide Members with self-service access to enable them to maintain their personal data, review their pension benefits and communicate with the Fund.
- e. Support the Fund to meet increasing regulatory requirements and standards on reporting for example, The Pension Regulator requirement for Funds to improve the quality of their data and the expectation that Funds enable Scheme Employers and Members to interact with the Fund via digital platform.
- f. This programme will ensure that the Nottinghamshire Pension Fund Administration Service can operate as a leading-edge administration service through improving the customer experience, ensuring regulatory compliance whilst delivering an efficient and cost-effective service.

### **Data Audit and Improvement**

8. The Pension Regulator requires all Funds to maintain accurate records. The Fund is required to have a data improvement plan as specified by the Regulator. Failure to do so can put the Pension Fund at risk of failing to meet its legal obligations, and the Regulator will take enforcement action where schemes are not meeting the standards expected and are taking appropriate steps to improve pension records.
9. The continuing diversification of the scheme employer base, the increasing number of payroll providers and the size of membership together with the complexity inherent in the scheme’s design presents the Fund with significant operational challenges in meeting the statutory record keeping requirements.
10. The Fund is required by the Pension Regulator to hold and measure two types of data within the Civica Universal Pension Manager (UPM) System scheme records: **Common Data and Scheme Specific Data**.
11. **Common data** is used to identify scheme members and includes names, addresses, national insurance number and data of birth

12. **Scheme specific data** is essential to calculate benefit entitlement such as employee contributions, pensionable pay, service history. It also encompassed data relating to events that occur during an individual's membership, for example transfer, purchase of additional pension and pension sharing orders.
13. The Nottinghamshire Pension Fund collects and holds data provided by several external sources
- a. **Scheme Employers** – However, employers fail to inform the Fund of new starters, leavers and other changes in a timely manner. Significant volumes of new starters and leavers and other data changes such as TUPE transfer, merging of records are notified to the Fund via the Year End return. This then means that the Fund has a substantial amount of data changes to implement and queries to resolve prior to the production of the Annual Benefit Statements.
  - b. **Members** – failure to inform the Fund of changes to their personal data such as change of address and name, marital status
14. The Fund is also required to respond to a range of other external factors which impact on the data that the Fund holds such as -
- a. **GMP reconciliation project** - HMRC have identified errors in their systems and through no fault of its own the Fund is required to undertake work to reconcile and rectify the issues. The details of this ongoing project have been the subject of separate reports to Pensions Committee. At a high level the Fund has been required to undertake a financial reconciliation as well as to reconcile individual members details of the GMP held against a member's pension record with that held by HMRC.
  - b. **McCloud – Court of Appeal judgement regarding age discrimination** - Since Committee approved the scope of the data audit and improvement workstream of the transformation project more information regarding the impact of the McCloud age discrimination judgement is now known. The McCloud judgement will affect pensions already in payment, active members and deferred beneficiaries. Following a national consultation on the proposed changes in regulations there will be a statutory obligation on all LGPS Funds to review all retirement calculations undertaken since 1 April 2014 to ensure that the McCloud underpin protections are now considered against the original calculations and to extend underpin benefits to eligible younger members. To enable these calculations to be undertaken the Fund will be required to collect hours and service break data for all members since 2014 to enable the underpin calculations to be performed. This data is needed for all members of the LGPS from the date the scheme changed in April 2014 to 31 March 2022 (or earlier if the member left active membership of the scheme or reached their 2008 Scheme NPA before that date). Employers will be legally required to provide administering authorities with the information they need to undertake the McCloud project. Details of the McCloud project will be the subject of a separate report to Pension Board.
15. The data improvement workstream has been reviewed to ensure that it lays the foundations to future proof the data collection for projects such as McCloud and the national pensions dashboard with confidence in the Nottinghamshire Pension Funds data position.

16. The data audit and improvement phase of the programme is split into four distinct phases
- Phase 1 - Data Audit - completed
  - Phase 2 – Forensic Analysis - completed
  - Phase 3 – Improvement – proposal detailed within this report
  - Phase 4 – Ongoing data maintenance – proposal detailed within this report
17. Working with the Nottinghamshire Pension Fund Civica have completed phase 1 – detailed data audit and phase 2 forensic analysis. This has enabled the scoping of the improvement phase to be undertaken and which is presented within this report.
18. **Phase 1 Data Audit** took place between January and March 2020, prior to the 2019-2020-year end being processed and has provided a holistic view of the data held by Nottinghamshire Pension Fund on Civica UPM. A comprehensive suite of 430 data validation checks (DVCs) were deployed. The DVCs were agreed between the Fund and Civica and cover both common and scheme specific data across 173,647 pension folders which covers a total of 134,496 individual members of the Nottinghamshire Pension Fund. This has provided the Fund with an accurate and informed data position as well as access to a dynamic data quality dashboard.
19. The Data Quality Dashboard provides the Administration Team with a baseline and breakdown detailing the number of members and the data validation checks not passed in volume range as follows -

Number of Members	DVC not passed
24,035	Passed all DVCs
56,658	1-3 amendments required
26,825	4-6 amendments required
13,507	7-9 amendments required
13,408	10+ amendments required

20. The Data Quality Dashboard enables the Administration Team to look at Fund level, employer level and membership category (active, deferred, deceased etc). At Scheme Employer level the Fund is able to review the data position for each employer, compare employers and identify employers with good/bad attributes and therefore provide targeted support.
21. Phase 2 Forensic Analysis was undertaken in April 2020 based on the data cut taken in January 2020 and utilised the results from phase 1 to enable forensic analysis of the DVCs, including assessing the potential for bulk data resolution solutions for systemic data issues and trends that have been identified. As part of this phase potential bulk data resolution activity has been identified which could resolve 159,487 DVCs, 28.5% of the total DVCs identified.
22. The data resolution activity has been categories as follows –
- Data fix required by either Employer, Scheme or Member
  - Client specific data change if deemed a client requirement
  - Combination of the above

23. The baseline results of delivering phase 1 and 2 against the data cut taken in January 2020 is that 537,341 data validation amendments have been identified. The top 10 data validation amendments are detailed in the table below

<b>Data Validation Check</b>	<b>Count</b>	<b>Status</b>
Latest year's pension increase details are not present	52,188	<b>Resolved</b> following the application of Pension Increase in April 2020
Total current pension is not present (deferred member)	51,109	<b>Resolved</b> following the application of Pension Increase in April 2020
Incorrect contribution rate	47,144	Resolution in progress following year end processing
NI modification amount is not present	29,365	DVC requires review and re run
Annual allowance calculation is not present (active member)	19,752	<b>Resolved</b> – as part of the year end processing and production of ABS.
First contribution date is not present	12,684	DVC requires review and re run
GMP Figures are not present (pension member)	11,418	<b>Will be resolved as part of the GMP Reconciliation Project</b>
No CARE entry for period of active services (post 31/3/2014)	11,388	DVC requires review and re run
Invalid entry for folder status reason flag	11,035	Outstanding – requires further investigation
No main section earnings data for one of the last 5 scheme years	10,721	Outstanding - year end queries still awaiting response from Employer
No main section earnings data for the last 12 months	10,552	<b>Resolved</b> – as part of the year end processing and production of ABS.
Pension end date is not present when previous status exists	10,465	Outstanding – requires further investigation

24. However, it should be noted that since the baseline position was determined the Administration team has now processed all 2019-2020 Year End returns and have completed a suite of activities which have covered the creation of new starters, notification of leavers and updates of a range of changes to members records notified to the Fund via the Employers Year End Return. To date 145,019 out of 266,433 amendments have been implemented as shown in the above table. Pension Increase has also been applied to deferred pensioner and dependent records. The Fund now requires to re run the DVCs on the year-end update data to provide an up dated data position.

25. Phase 3 is the most extensive phase of the programme and as such the proposal is broken down into 5 stages to give a greater understanding of the projected work to support the delivery of the data audit and improvement objectives.

<b>Stage</b>	<b>Activity</b>
1	Further detailed forensic analysis exploring all avenues for potential bulk resolutions are fully exhausted.
2	Creation of a process to facilitate the bulk resolutions that are identified via the forensic analysis.

3	Execution of the build solutions identified in line with the bulk resolution process created in phase 3, stage 2. It will also involve the creation of a process to administer the individual members resolution activity to follow in Phase3, stage 4.
4	Execution of the individual member resolution processes as created in phase 3, stage 3 to enable direct action to resolve member data issues.
5	This stage will run concurrently alongside the others stage in phase 3 and will involve the update and monitoring of the data audit dashboards to maintain up to date visibility of data issues.

26. The costs of phase 3 of the data improvement project are detailed in the table below and the expenditure was approved by Pension Committee at its meeting on 10 September 2020. The Fund will take a blended approach working with Civica to determine which party is best placed to work to resolve the outstanding issues. Where a bulk resolution is identified this is likely to be deployed by Civica. The Fund will interact directly with Scheme Employers and members where individual data amendments require resolving. The Fund will work to minimise external spend where it can but also ensure the most cost effective approach is taken in using external input to work through the data validation results.

Phase 3	Activity	Actual/Estimate	Cost
Stage 1	Further detailed forensic analysis	Actual	£46,620
Stage 2	Resolution process developed for each DVC reviewed in forensic analysis	Actual	£62,808
Stage 3	Bulk resolutions and DVC code changes applied, and individual resolution activity developed	Estimate	£150,000
Stage 4	Individual member resolution activity	Estimate	£150,000
Stage 5	Ongoing data audit refreshes – up to 6 at £1750 per refresh	Actual	£10,500
		<b>Total</b>	<b>£419,928</b>

27. Phase 4 will focus on data quality maintenance, as informed by periodic data quality dashboards, enabling ongoing identification of any emerging data quality trends.

### Monthly Returns

28. As stated in paragraph 13a of this report, the Fund is reliant upon the accuracy, completeness and timeliness of data provision from scheme employers and any third-party agencies they may utilise for example payroll providers.

29. Currently scheme employers provide a year-end return. Employers are required to provide details of new starters, leavers and changes to the Fund throughout the year. However, the submission of the year end return by employers often provides the Fund with substantial additional information about new starters, leavers and changes to earning/salaries, names and addresses. This then requires the Fund to engage in a significant piece of work to update the data held within the Civica UPM system. The implementation of monthly returns will work to resolve this data collection issue.

30. Through the initial scoping of the implementation of monthly returns and discussions with another LGPS Fund that are amid moving to monthly returns it is imperative that a full data

audit and improvement exercise be completed in conjunction with each employer prior to an employer's move to monthly returns. This will support a move to preventing a range of data issues occurring at source rather than working to resolve the issues retrospectively.

- 31. Every month Scheme Employers will be required to submit an employee record file which identifies any changes in data including changes to earnings/salaries, names and addresses with that held by the Fund.
- 32. It is therefore proposed that until data improvement workstream progresses to resolve the identified DVC amendments at individual employer level that this phase of the programme is only progressed on an employer by employer basis as and when the data issues for the employer are resolved.

### **Hosting Pension Systems**

- 33. Work is ongoing to review both public and private cloud hosting options together with managed services to determine the requirement for ICT and pension system resource going forward. The results of this work will be presented in a separate report to Pension Committee in due course.

### **Scheme Employers Portal**

- 34. The Scheme Employer phase of the programme is running in parallel with the data phase.
- 35. The Scheme Employer Portal pilot went live with Nottinghamshire County Council on 1 July 2020. Nottinghamshire County Council is now able to enter details and upload documents to the secure portal relating to death in service, ill health retirements and flexible retirements and limited access to view their members records. Discussions have taken place with four district and borough scheme employers and two large educational scheme employers. Plans are to rollout access to the portal to these employers next.
- 36. Plans will then be developed to rollout access to the Scheme Employers Portal to all remaining employers thereafter.

### **Members Portal**

- 37. It was originally proposed to visit the scope of the Members Portal during the second half of 2020. However, good quality data is key to the successful channel shift of members to online services. It is paramount that the data audit and improvement workstream must be progressed significantly before this can be progressed.
- 38. It is therefore proposed to review the timescales of this phase of the programme to align with the resolution activity within the data improvement workstream.

### **Resources**

- 39. Pension Administration Team will input into aspects of the scoping and delivery of the programme due to their knowledge and expertise of the regulations and existing processes.

40. Additional project management capacity will continue to be released from within the Business Services Centre to support the delivery of the digital transformation programme.
41. If additional resources are required as the data improvement workstream progresses these will be the subject of a further report.

### **Other Options Considered**

42. Data audit and improvement is a regulatory requirement and the Fund is required to have a data plan and be able to demonstrate how data supplied to the Fund is improving. Therefore, there is a statutory obligation upon the Fund and its Scheme Employers to progress the data workstream.
43. The Fund is also required through the national GMP reconciliation project and legally required through the outcome of the McCloud judgement to undertake these two significant projects. The Fund does not have an option not to do either of these.
44. The Pension Administration Service could continue to operate as it currently does utilising paper and pdf forms but this is not considered a viable option given both the increasing legislative demands and increasing number of scheme employers, members and their expectations in this digital age.
45. Without the development of digital platforms for Scheme Employers and members to interact with the Fund consideration may have to be given to increasing the number of pension administration staff.

### **Reason/s for Recommendation/s**

46. For the Nottinghamshire Pension Fund to be able to meet ongoing statutory responsibilities, increased expectation of members and scheme employers to interact with the Fund online and via self-serve it is imperative that the Fund transforms its service offer ensuring that it is cost efficient and effective and meet its regulatory and statutory requirements.
47. Data improvement is a continuous process and not a one-off exercise. Good quality data is critical to the Pension Fund and a vital element in the success of digital transformation. Without the implementation of the proposed data improvements it will become increasingly difficult and risky for the Nottinghamshire Pension Fund to fulfil its statutory obligations within the LGPS and will not enable the Fund to move its service online enabling members to self-serve.

### **Statutory and Policy Implications**

48. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public-sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

### **Data Protection and Information Governance**



49. A high-level Data Privacy Impact Assessment has been completed and signed off for the programme. This will be reviewed to ensure that the aspects of the programme detailed within this report are included.

### **Financial Implications**

50. The financial implications for the next phases are covered within the body of this report at paragraph 26.

## **RECOMMENDATION/S**

It is recommended that the Members:

- 1) Consider the pension transformation update report.

**Marjorie Toward**

**Service Director – Customers, Governance and Employees**

**For any enquiries about this report please contact:**

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### **Constitutional Comments (KK/ 26/08/2020)**

51. The proposals in this report are within the remit of the Nottinghamshire Pension Fund Committee.

### **Financial Comments (KRP 27/08/2020)**

52. The financial implications are set out in paragraph 26 of the report. The total cost for the 5 stages of phase 3 are £419,928. These costs are a valid charge against the fund administration costs.

### **HR Comments (JP 27/08/2020)**

53. The HR implications are set out in the body of the report.

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- 'None' or start list here

### **Electoral Division(s) and Member(s) Affected**

'All'

