

## **REPORT OF THE SERVICE DIRECTOR – CUSTOMERS AND HR**

### **LOCAL GOVERNMENT PENSION SCHEME – PENSION ADMINISTRATION PERFORMANCE REPORT AND DATA QUALITY.**

#### **Purpose of the Report**

1. The purpose of this report is to inform the Pension Board of the continuing work being under taken by the Administering Authority to improve data quality, and ensure statutory compliance of the scheme employers, as well as starting to report on the performance against the Service Level Agreement outlined in the Administration Strategy.

#### **Information and Advice**

##### **Background**

2. One of the of the main areas of focus across the Local Government Pension Scheme has been the performance of scheme employers providing their statutory data to Administering Authorities in a timely manner to enable the updating of member records. This matter has been highlighted by The Scheme Advisory Board along with the Local Government Association in a number of presentations and reports.
3. In addition The Pensions Regulator has been raising concerns that data quality needs to be improved across funds. In March 2017 Pension Committee approved the Nottinghamshire Pension Fund Administration Strategy for implementation from April 2017. The Administration Strategy provides a framework for the management of scheme employer's responsibilities to ensure that accurate data is received by the Administering Authority.
4. Data is important to the Administering Authority for a number of reasons, the main reasons being:
  - Members are paid the pensions they are entitled to
  - Employers' costs are reliable/correct
  - Investment and administration costs are reliable/correct
  - Fund valuations reflect true costs
  - Reduced administration – less queries
  - Avoid IDRPs cases
  - Avoid the Pensions Regulator

- Maintains the scheme's reputation
5. A service level agreement has been included in the Administration Strategy to enable the monitoring of activities undertaken by scheme employers and the Administering Authority. The service level agreement reports that have been developed by Civica, our pension administration software provider. These reports provide data on a number of pension administration processes, and report performance against the agreed service level.

## Pension Fund Membership Statistics

6. At 31 March each year the Administering Authority report a set of figures that identify the number of members within the Fund under certain categories. These figures are used to populate the Fund's annual report. The following table details the membership of the Fund against each category, and sets a context to the size of the Fund. From April 2016 to March 2017 the number of scheme employers has increased to 310. In 2016/17 the Fund received 23 applications from employers who met the admitted body criteria for admission into the Fund. The number of scheme employers will continue to increase as schools continue to convert to academy status, along with reorganisation of academy trusts and the outsourcing of services by existing scheme employers. With the increasing numbers of employers, this provides an ongoing challenge to the Administering Authority to ensure that pension fund and member data is kept up to date.

Employer	Actives	Deferred	Pensioners	Frozen Refunds	Total
<b>City</b>	8196	11469	6870	1473	28344
<b>County</b>	17061	22202	16319	3920	59779
<b>District</b>	3146	4227	4665	424	12603
<b>Other</b>	17466	12960	6891	1256	38909
<b>Totals</b>	45869	50858	34745	7073	139635

## Year End and Employer Activities

7. There is a statutory requirement for participating scheme employers to provide timely and accurate data and in particular to provide accurate year end data. For the year 2016/17 participating employers in the scheme were required to provide accurate year end data by 2 May 2017. As a result of processing the year end returns annual benefit statements have now been issued to active and deferred members.
8. Since moving to Civica UPM, pension administration system in November 2014, the Administering Authority's Employer and Compliance Team have been working with employers to improve the submission of pension data to the Fund. This was particularly important in 2015/ 2016 as this was a valuation year. The following table provides information on the last three year-ends. Improvements have been made to simplify the

way data is requested. A review of communications and the content of year end briefings with scheme employers has been completed. The implications of not receiving data can be very serious, as member's pension data cannot be updated, potentially leading to incorrect pension calculations. Furthermore the Administering Authority may not be able to issue annual benefit statements to individual member's where the scheme employer has failed to provide the required data. This would ultimately result in a breach of the statutory regulations and may mean that the Fund is subject to a fine. As stated with the Administration Strategy any fines would be passed on to non-complaint scheme employers.

<b>Year End</b>	<b>Number of Employers in the LGPS</b>	<b>No of submissions Received by Submission date</b>	<b>Percentage of expected returns received by the deadline.</b>	<b>Accurate submissions received by submission date</b>	<b>Percentage of accurate submissions received by the deadline</b>	<b>Submission date</b>
14/15	260	112	43%	92	35%	31.05.2015
15/16	276	162	59%	157	57%	30.04.2016
16/17	310	253	82%	166	53.5%	02.05.2017

9. For year ending 31 March 2017, out of 47,382 lines of year-end data processed across the Fund, approximately 90% of all records provided by scheme employers were accurate. All queries were returned to individual scheme employers for resolution.
10. Following the completion of queries for 2016/2017 year end activity, this enabled the Administering Authority to issue 35,960 active annual benefit statements by 31 August 2017, and 37,356 deferred annual benefit statements by 8 September 2017.

### **Service Level Agreement Statistics**

11. At the last meeting of the Pension Board it was agreed that a report would be presented based on the service level agreement issued with the Administration Strategy. The monitoring of the service level agreement started from 1 April 2017.
12. The appendix provides the first set of performance data based on the period 1 April 2017 to 31 July 2017. The table provides a breakdown of the service level agreement processes that the Administration Team is able to report out of the Civica UPM system at this time.
13. The data in the table is split into the 5 main activities, with a description of each process that is monitored. As this is the first report it was felt that it was important to include all process, to give the Pension Board a full picture of the main activities being undertaken by the Administration Team. It is important to understand that each of the processes are measured from the point when all the relevant information is received in the Administration Team from either scheme employer, pension member and in some cases financial institutions. Once the information is received the time taken to complete the process is then monitored through Civica UPM.

14. This is the first set of data to be reported and therefore it is not possible to provide any trend analysis. The 5 main areas of data are:

**(a) General Processes**

There is currently no data for annual benefit statement queries as these were issued after the reporting period. Bulk retirement processes is currently in development and will be report on in subsequent monitoring reports. In respect of general queries responses this will need further review to understand any trend as the section is very much a miscellaneous grouping of processes where queries are recorded in Civica UPM. These queries can relate to questions from members relating to a wide range of topics including retirements, deaths, transfers and other general questions. However this process does not record all queries at present, as there are many questions that come through the pension's telephone help line, and are not necessarily recorded as a single process.

The re-joiners process to the Fund is being reviewed and therefore no further re-joiners are being processed until the new process is implemented at the end of October.

**(b) Death Benefits**

Death benefits have a number of associated actions relating to the processing of survivor benefits, death in service process. By their very nature, these processes are a high priority. The Administration Team have been undertaking a review of the end to end death process with a review to implementing a revised process by the end of the year.

The Death processes are broken down into a number of activities and at present the service level agreement report can only be provide data for -

- Death notification of deferred pensioners.
- Death notification in retirement
- Death in service.

In terms of the results without a trend analysis it is difficult to make any conclusion other than 3 Death in Service processes were outside the agreed SLA of 10 days. However reviewing the cases it can be confirmed that payments were made to the beneficiaries, within 10 days but the finalising of the process occurred outside the 10 day SLA.

In terms of the 5 death processes where data is not yet available, it is planned that these activities will be reported upon in subsequent reports.

In general, death notifications are an issue nationally. Pension funds are not always informed of a pensioner death in a timely manner. Therefore to try and address this matter the Administering Authority has been undertaking a number of actions, this includes -

- Working with the Department of Work and Pensions in identifying where the Administering Authority has lost contact with pensioners, for example when a pension payslip is returned to Payroll Service or a payment returned by BACS. When this situation occurs future pension payments are suspended, pending further investigation.
- Joining the national Tell Us Once Service which links the Nottinghamshire Pension Fund to the registrar's national data base where information is held on citizen's births, marriages, and deaths.
- Participating in the National Fraud Initiative which matches electronic data within and between public and private sector bodies to prevent and detect fraud.

### **(c) Transfers**

Transfer processes are a challenging activity, especially over the last 12 months. One of the reasons behind this was the change to the transfer factor implemented by the Government Actuary Department at short notice. The change to the transfer factors required software providers such as Civica to update their transfer calculations. This meant that for a period of time the Administration Team were unable to undertake transfer calculations resulting in delays being experienced by members requesting transfer quotes. In addition the implementation of the Pension Freedom legislation which allows members to transfer out to private investments and pensions, continues to have an impact, with member continuing to transfer their pensions to other providers.

Looking at the results of the transfer SLA a review of the process for the payment of inter funds is planned. Some of this activity is outside the Administering Authority's control, but the introduction of revised payment process will improve the response time.

### **(d) Retirements**

Retirements are a priority action. Requests are seasonal with May, June and July being identified as key points in the employment year for retirements and redundancies in schools and academies for non-teaching staff. For other scheme employers the period October to the end of March is the key period within the financial year as employers review establishments and budgets which lead to redundancies and retirement requests being processed.

To enable the more efficient production of estimates a bulk process has been developed. This process is currently being tested and it is planned that this new functionality will be used over the coming 6 months leading up to 31 March 2018.

### **(e) Deferred Process**

The Administering Authority has been working consistently on deferred benefits. However following the 2015/2016 valuation year end submissions, there was an

increase of over 3000 additional leavers being notified to the Administering Authority by scheme employers. It is understood that this is consistent with other LGPS Funds.

The high volume of deferred benefits is challenging. Scheme Employers should be providing the Administering Authority with leaver details at the date of leaving, and not leaving this activity until year end. The Administration Team are working with Civica to review the process and are looking at the development of a bulk process for this activity. No implementation date is available at this time.

## **Planned Developments**

**15.** As stated earlier, data accuracy is a key priority for the Administering Authority and a number of activities to support the improvement of data are currently in progress. A number of other developments are planned to further improve the efficiency of the Civica UPM system and administration processes. The main developments are:

- a. Employers Portal – this will enable employers to access their own employees' pension data, submit data changes, and undertake some basic calculations. Therefore enabling scheme employers to have some direct control in managing their own pension data. The Portal will be piloted with one of the Administering Authority's large scheme employers in November 2017. Following the pilot a plan will be developed to roll out to other scheme employers.
- b. Bulk data loading – this new functionality is being piloted with a large scheme employer and enables the electronic loading new starter data in bulk. This will result in the reduction of manual data input.
- c. Continuous programme of reviewing end to end business processes to ensure the Administration Team works in the most efficient and effective way, automating processes, reducing handover points and removing any duplication.
- d. Data quality activities – further activity is underway to improve data quality and as part of the national Guaranteed Minimum Pension Project work is in progress to reconcile pension and pension payroll data.
- e. Pensions Data Screening – The Administering Authority in association with other Departments of the County Council is investigating the use of the National Fraud Initiative's application "The fraud hub" which will enable the checking of pension data against other government data.

**16.** The Civica UPM system is continually being developed to provide new functionality and updates implemented to meet statutory changes.

## **Next Steps**

**17.** It is incumbent on the Administering Authority to continue to monitor and develop strategies to improve data quality and ensure that the Authority meets the Pension Regulator requirements:

- Continue to monitor and review the service level data further update at the next meeting.
- Continue to monitor data quality and have a quality improvement plan.
- Continue to maintain complete, and accurate member records
- Ensure better engagement with scheme employers
- Early engagement with employers before issues become serious.
- Effective communication with scheme employers.
- Ensure that employers know their duties and responsibilities.

**18.** As this is the first report it is anticipated that once a full years set of results are available, then a review of the Service Levels Agreement may be appropriate.

## **Statutory and Policy Implications**

**19.** This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

## **RECOMMENDATION**

- a. That Pension Board members consider whether there are any actions they require in relation to the matters contained within the report.

**MARJORIE TOWARD**  
**SERVICE DIRECTOR – CUSTOMERS AND HR**

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

Jonathan Clewes, Pensions Manager on 0115 9773434 or [Jon.Clewes@nottsc.gov.uk](mailto:Jon.Clewes@nottsc.gov.uk)

### **Constitutional Comments (KK 20/09/17)**

**20.** The proposal in this report is within the remit of the Local Pension Board. If the Board resolves that any actions are required, it must be satisfied that such actions are within the terms of reference of the Board.

### **Financial Comments (SES 20/09/17)**

**21.** There are no specific financial implications arising directly from this 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