

19 April 2018**Agenda Item: 10**

REPORT OF THE SERVICE DIRECTOR – CUSTOMERS AND HR

PENSION FUND DATA IMPROVEMENT PLAN

Purpose of the Report

1. The purpose of the report is to seek approval for the adoption of the Data Improvement Plan attached as Appendix 1.

Information

2. Nottinghamshire Pension Fund collects and holds large amounts of digital and paper based data and is reliant on the timely receipt of quality data from employers in order to administer the pension scheme.
3. It is important that the fund achieves and maintains the highest possible data quality standards to ensure the cost effective use of resources; remain legally compliant and ensure that the correct pension benefits are paid to its members when they become due.
4. The pension scheme continues to face ongoing legislative changes with oversight of administration and governance now falling under the remit of the Pension Regulator. This has resulted in a heightened responsibility on scheme managers and local pension boards and Pensions Committees to ensure data is readily available and fit for purpose at all times.
5. The Scheme Advisory Board seeks to monitor and contain the overall cost of the LGPS at a national level, and funds are required to provide data to inform their monitoring process.
6. Given the current financial constraints faced by local government, and the cost of delivering fund valuations, it is important that member data is sufficiently robust to inform the valuation exercise and withstand scrutiny from both internal and external audit.
7. The continuing diversification of the employer base (academies), the increasing number of payroll providers and IT systems used to transfer information present the fund with significant operational challenges in meeting statutory record keeping requirements.
8. The data improvement plan for the pension fund is a requirement as set out by the Pensions Regulator. The Pensions Regulator requires all trustees and scheme managers to maintain accurate records. Failure to do so can put the Pension Fund at risk of failing to meet its legal obligations and could lead to enforcement action where schemes are not meeting the standards expected, and are not taking the appropriate steps to improve pension records.

Types of Data

9. The Pension Regulator states that complete, accurate scheme records are a vital part of the pension administrative function, and the regulator defines two types of data held in the scheme records:
 - a. **Common Data** - Used to identify scheme members including names, addresses, national insurance number and date of birth.
 - b. **Conditional Data** - Essential to calculate benefit entitlements such as, member contributions, pensionable pay, service history. It also encompasses data relating to events that occur during an individual's membership, for example transfers, purchase of additional pension and pension sharing orders.
10. Both types of data are equally important and constitute personal data but are defined separately for the purposes of measurement and relationship to current legal obligations.

Legislative Framework

11. The pension fund collects and uses different types of information relating to members and ex members of the pension scheme with whom it needs to communicate with in order to provide a service. The Data Protection Act 1998 details the requirements and safeguards which must be applied to personal data. The fund is defined as a 'data controller' and must observe the principles relating to the processing of personal data as outlined in the regulations.
12. Management of data will be impacted by the legislative changes effective from 25th May 2018 when the General Data Protection Regulation (GDPR) comes into force. The changes will require a greater level of transparency and accountability on pension funds. The potential implications of GDPR and the actions to be taken by the fund are set out in more detail in a separate report to Pensions Committee.
13. The fund itself, and the employers in the fund, have a legal obligation and statutory duty to comply with a number of other regulations, standards and formal guidance; these include, but are not limited to:
 - LGPS Regulations 2013, as amended;
 - Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014;
 - The Pensions Act 1995, 2004, and 2008
 - The Occupational and Pension Schemes (Disclosure of Information) Regulations 2013;
 - Freedom of Information Act 2000;
 - Pension Regulator's Code of Practice No.14
14. The pension fund will therefore need to ensure ongoing compliance with record keeping and data quality standards in line with industry best practice, demonstrating to stakeholders and members the appropriate consideration of the requirements on it.

Key Objectives and Activities of a Data Improvement Plan

15. The key objectives of a data improvement plan include:

- a. Ensuring compliance with the guidance of the Pension Regulator, and establishing a robust, reviewable and transparent framework necessary for the acquisition and up keep of accurate, complete and up to date records.
- b. Addressing data issues which impact on the ability to administer the fund effectively. This includes paying out benefits correctly, processing core transactions, ensuring a high standard of service for members, keeping costs manageable and meeting various legal obligations. These will be identified through the required annual data review, audit, or the valuation process.
- c. Ensuring that accurate records are maintained for the purpose of calculating pension entitlements and employer liabilities; that all information and data is communicated securely and accurately, within prescribed timescales.
- d. Continuing the development of fund systems to ensure ongoing improvement of data quality standards and the processing of data with employers and the administrative team.
- e. Ensuring that employers have a clear understanding of their respective roles and responsibilities and that all parties are committed to continuing engagement and communication to improve data quality and promote accurate record keeping.
- f. Monitoring the delivery of specified activities in accordance with the relevant regulations and the Pensions Regulator's Code of Practice.
- g. Developing electronic submission of member data and documentation with large scheme employers through an employer portal.
- h. Expected Outcomes

16. The expected outcomes that will be achieved by implementing a data improvement plan are as follows:

- a. Improved member service. For example reducing processing times for certain activities.
- b. An increase in the number of annual benefit statements and annual allowance statements issued accurately and on time.
- c. Fewer assumptions required by the scheme actuary when processing the valuation data as more up to date and accurate actual data is available.
- d. Improved administration performance measured against the Service Level Agreement as set out in the fund's Administration Strategy.
- e. Completion of administration tasks.

f. Improvement in data scores which will be reported to the Pensions Regulator.

g. Data Review Activities

17. To ensure compliance with the LGPS regulations and the Pension Regulator Code of Practice the fund will need to undertake a number of the following data related activities as identified in the table below:

Review Activity	Performance monitoring	Timescale
The fund will need to undertake data reconciliation exercises with employers to identify discrepancies within member data sets.	Regular engagement with employers with regards to outstanding data items, with the production of action plans where required	Data reconciliation exercises will be carried out with regular chase of outstanding data.
Following year-end contribution return exercise, the fund will provide employers with a detailed review of errors and data gaps encountered during the year end process	The Administration Team will monitor progress against resolution of errors.	Within 30 days of receipt of complete and correct year end contribution return.
To continually develop the documentation and engagement plan with employers with regard to data provision to the fund.	Assess improvements in data quality.	Ongoing.

The Next Steps

18. An initial Data Improvement Plan has been developed by the Pension Fund's Administration Team in conjunction with the Pension Systems Development Team. The fund's software provider has developed a number of reports to support the work set out in the Improvement Plan.

19. Appendix 1 outlines the main areas of data improvement activity. The plan will be kept under active review and updated as issues and the potential routes for resolution are identified and actioned.

20. The data improvement plan focuses on data which is key to running the scheme and meeting the legal obligations, this includes:

- a. Employment records such as employer name, salary records, service history.
- b. Employee and Employer contribution history.
- c. Information on the value of the member's pension, such as the last estimated value, the date of the estimate and how the pension benefit was calculated.
- d. Any benefit specifics including GMP entitlement, HMRC protections or cash entitlements.

21. In addition the Pension Regulator requires the fund to measure the data quality of new and historical data including ensuring that:
- a. All the data fields within the pensions administration database have the correct expected data.
 - b. Data items are consistent with each other
 - c. Data items are in a valid format, e.g. national insurance numbers have the correct prefix
 - d. Regular existence checks are undertaken.
22. A Data Privacy impact Assessment will be undertaken as part of the Improvement Plan.

Third Party Data Services

23. In order to support the improvement of the quality of the pension fund data and support the administrative function the fund uses third party data services which are provided by outside organisations as collaborative ventures (at no or minimal cost).
24. The fund uses the LGPS National Insurance database and 'Tell Us Once' service administered by South Yorkshire Pension Fund Authority on behalf of the Local Government Association (LGA). The secure National Insurance Database was developed for LGPS administering Authorities to share data to prevent the duplicate payment of death grants. When processing the death of a scheme member, officers will check the LGPS National Insurance Database for the existence of membership at other LGPS Funds.
25. The secure LGPS National Insurance Database also facilitates the integration of the funds membership profile into the government 'Tell Us Once' service, as administered by the Department of Work and Pensions (DWP). The 'Tell Us Once' service allows a person registering a death to request that the DWP pass on the deceased's information to other government departments and council services.
26. The National Fraud Initiative (NFI) is administered by the Cabinet Office, the NFI programme is a biennial exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. As a participant, the fund receives a report of 'matches' to investigate, to take remedial actions and update records accordingly.
27. Mortality screening services are provided commercially, and the fund engages the DWP in tracing lost contacts. The fund is also looking at other cost effective ways of tracing lost members.

Other Options Considered

28. There is a requirement by the Pensions Regulator for the pension fund to have a Data Improvement Plan and to monitor and report on progress to deliver this. The fund will be

required to report to the Pensions Regulator when the fund completes its annual report to the regulator which is normally submitted in September.

Reason for Recommendation

29. This report has been compiled to seek Pension Committee approval of the activities being undertaken by the administration team to comply with the requirements of the Pensions Regulator on an ongoing basis.

Statutory and Policy Implications

30. 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

31. Reference to data protection is included in the body of the report as data protection is fundamental to the management of data within the Nottinghamshire Pension Fund. A data Privacy impact Assessment will be undertaken as part of the Improvement Plan implementation.

Financial Implications

32. The Data Improvement Plan will be delivered within existing resources.

RECOMMENDATION

It is recommended:

- 1) That the Pension Committee agree to the adoption of the Data Improvement Plan and that update reports on progress are presented to the committee on a six monthly basis.

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For any enquiries about this report please contact:

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Constitutional Comments (KK 27/03/18)

33. The proposal in the report is within the remit of the Nottinghamshire Pension Fund Committee.

Financial Comments ([initials and date TMR 28/03/2018])

34. The financial implications are set out in paragraph 32 of the report.

Human Resources Comments

35. N/A

Background Papers and Published Documents

None

Electoral Division(s) and Member(s) Affected

All