

REPORT OF SERVICE DIRECTOR – CUSTOMERS, GOVERNANCE, AND EMPLOYEES.

LOCAL GOVERNMENT PENSION SCHEME – TRANSFORMING PENSION ADMINISTRATION UPDATE REPORT

Purpose of the Report

1. To update members on the data audit and improvement workstream within the “transforming pension administration through digital development and new ways of working programme”.
2. To seek members approval for the final phases of the data audit and improvement work stream.

**Information
Background**

3. Committee is aware from previous reports that 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. Pensions Committee have provided the Pension Administration Service with their support to transform the delivery of the administration service through digital platforms.
6. As work on the data audit and improvement workstream has progressed it has become increasingly clear that this is the critical workstream to the entire programme. The move to monthly returns and the deployment of the members portal will only be successfully delivered once the data held by the Fund is improved. The move to monthly returns and a self-service members portal will support the ongoing maintenance of the data held.
7. At this time efforts are being consolidated on the data audit and improvement workstream. This activity will ensure that the Fund has the key foundation in place to deliver the key aims of the programme which have been documented in previous reports.

Data Audit and Improvement

8. As previously reported to Pension Committee 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 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**.
10. **Common data** is used to identify scheme members and includes names, addresses, national insurance number and data of birth
11. **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.
12. To date the data audit and improvement workstream has supported the Fund to achieve a significant improvement in its data scores, as detailed below

	September 2020	September 2021	Improvement %
Common Data	73%	84%	11%
Scheme Specific Data	41%	54%	13%

13. As reported to Pension Committee previously, 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 the GMP Reconciliation project and McCloud Court of Appeal judgement regarding age discrimination.
14. The data audit and improvement phase of the programme is split into four distinct phases. The updated figures as at September 2021 are shown in square brackets after the figures for September 2020
15. **Phase 1 – Data Audit – completed.** This phase took place between January and March 2020, prior to the 2019-2020-year end being processed and 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 **[180,679]** pension folders which covers a total of 134,433 **[138,039]** 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.
16. The initial Data Quality Dashboard presented to Pensions Committee is September 2020 provided the Administration Team with a baseline and breakdown detailing the number of members and the data validation checks not passed in volume range. Working with Civica

over the last year has enabled a significant number of DVCs to be addressed and the latest position is shown against the baseline figures in the following table -

As at Sept 2020 Nos of Members	As at Nov 2021 Nos of Members	DVC not passed	
24,035	66,036	Passed all DVCs	An increase of 42,001 members passing all checks
56,658	56,668	1-3 amendments required	An increase of 10 members
26,825	11,388	4-6 amendments required	A reduction of 15,437 members
13,507	2,608	7-9 amendments required	A reduction of 10,899 members
13,408	1,339	10+ amendments required	A reduction of 12,069 members
134,433	138,039		An increase of 3,606 members being included in the Data Audi.

17. 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.
18. 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 **(57,324)** DVCs, 28.5% **(31.4%)** of the total DVCs identified.
19. The baseline results of delivering phase 1 and 2 against the data cut taken in January 2020 **(September 2021)** is that 537,341 **(182,187)** data validation amendments have been identified.
20. 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. 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.
21. Phase 3 has been the most extensive phase of the programme and was broken down into 5 stages. As stated in the report of September 2020 it was difficult to determine the full extent of Stages 3 and 4 and therefore Civica were only able to provide an estimate of the funding required for these stages.

22. After discussion between all parties, a number of bulk fixes have been agreed, all of them on data that has either been created by NPF or had been derived from data provided by employers, and therefore were data items that NPF had full control of.
23. Bulk cleansing has been identified for 13 data validation failures. It is anticipated that a further 49,421 data validation amendments will be resolved through the bulk cleaning. This stage of activity will also include the delivery and testing of the required Bulk Data Import (BDI) modules required to facilitate these amendments.
24. After the BDIs have been applied, the data quality will be measured again with a further data audit. It is anticipated that the BDIs will resolve a further 27% of the required amendments.
25. The remaining data validation amendments will require work to be undertaken with individual scheme employers.
26. Civica and the Pension Administration Service have worked with a pilot Scheme Employer to shape this work. The employer has provided feedback on the initial DVCs that the Fund highlighted as requiring employer input. Following this review a defined list of DVCs has been agreed as requiring employer cleanse.
27. It has also been determined that employers with less than 20 outstanding Data Validation Amendments will not be provided with bulk cleanse files. These DVC's will be cleansed through ongoing data BAU channels to ensure the bulk cleanse work remains cost effective. Taking these decisions into account it was been highlighted that a total of 27,303 DVCs are suitable for employer cleanse as of the latest audit run.
28. A process map has been designed that will be followed with employers to resolve individual member data resolution.
29. To complete the final stages of phase 3 of the data audit and improvement further funding is required at a cost of £264,300. Throughout this workstream the Fund has taken 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 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.
30. It is of paramount importance that once the data audit and improvement are completed that the Fund maintain the quality of both the common and scheme specific data that it holds. The final phase, phase 4 will focus on data quality maintenance, as informed by periodic data quality dashboards, enabling ongoing identification of any emerging data quality trends. The annual cost for this activity is to be confirmed.
31. One of the other key areas to support the maintenance of the quality of the data will be to implement monthly returns and start to plan the deployment of the members self-service portal.

Scheme Employers Portal

32. The Scheme Employer Portal rollout continues to be rolled in parallel with the data audit and improvement workstream.
33. Following the success of the pilot with Nottinghamshire County Council who have been live on the portal since 1 July 2020. All District and Borough Council, including other Scheme Employers that they provide a payroll service too, are now signed up and go live between now and December 2021.
34. Engagements meeting will take place next with two large educational scheme employers.
35. Both the Pension Administration Office and Scheme Employers are reaping benefits of the move to the Scheme Employers portal, for example
 - a. Access to a secure route to submit requests and documents from the Scheme Employer directly into to the Pension Administration System resulting in a reduction of email and hard copy documentation
 - b. Provides Scheme Employers with greater access to their own employees' pension record
 - c. Improvement in turnaround time for requests submitted via the portal.
 - d. Supports ongoing data improvement.
36. The Project are currently reviewing what additional functionality will be made available to Scheme Employers through this secure route over the coming year.

Resources

37. Pension Administration Team continue to input into aspects of the scoping and delivery of the programme due to their knowledge and expertise of the regulations and existing processes.
38. Additional project management capacity will continue to be released from within the Business Services Centre to support the delivery of the digital transformation programme.
39. Pensions and Personnel Committee have recently approved the funding and establishment of additional resources to support the McCloud project. There will be crossover of work between the data audit and improvement workstream of the digital transformation programme and both the McCloud and GMP projects. .

Other Options Considered

40. 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.
41. 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.

42. 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

43. 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.

44. 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

45. 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

46. 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

47. The financial implications for the next phases are covered within the body of this report at paragraph 29.

RECOMMENDATION/S

It is recommended that the Members:

- 1) Approve the recharge of the costs of £264,300 for the final stages of phase 3 of the data improvement workstream of the transformation programme to the Pension Fund.
- 2) Agree to receive ongoing update reports on the progress of the programme.

Marjorie Toward
Service Director – Customers, Governance and Employees

For any enquiries about this report please contact:

Sarah Stevenson, Group Manager Business Services Centre on 0115 9775740 or sarah.stevenson@nottscc.gov.uk

Constitutional Comments (KK 25/10/2021)

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

Financial Comments (KRP 26/10/2021)

49. The financial implications are set out in paragraph 29 of the report. The final cost of the stages within Phase 3 of data audit and improvement program is £264,300. These costs are a valid charge against the fund administration costs.

HR Comments (JP 26/10/2021)

50. 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

Electoral Division(s) and Member(s) Affected

- All