

Bath & North East Somerset Council		
MEETING:	AVON PENSION FUND COMMITTEE	
MEETING DATE:	25 September 2015	AGENDA ITEM No 12
TITLE:	THE PENSIONS REGULATOR ADMINISTRATION – COMPLIANCE REPORTING	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:-</p> <p>Appendix A – Member Data – July 2015</p> <p>Appendix B – Data Improvement Plan - Roadmap</p> <p>Appendix C – Data Improvement Plan - Report</p> <p>Appendix D – Late Payers Report – September 2015</p> <p>Appendix E – IDRPs schedule</p> <p>Annex 1 – TPR Regulatory Requirements - Member and Beneficiary Information</p> <p>Annex 2 – TPR Regulatory Requirements - Records of Transactions</p> <p>Annex 3 – TPR Regulatory Requirements - Communications</p>		

1. THE ISSUE

1.1 The introduction of The Pensions Regulator (TPR) Code of Practice 14 and The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 sets out administration requirements for all public sector pension schemes. The Avon Pension Fund has reviewed its core data and processes (as set out in the regulations) and assessed its level of compliance with regulations requirements in respect of:

- Scheme record-keeping
- Maintaining contributions
- Providing Information to members

1.2 The report identifies the key findings and sets out a plan for improvements.

2. RECOMMENDATION

That the Committee:-

- 2.1 Note the report
- 2.2 Agree Appendix C – Data Improvement Plan

2.3 Agree Appendix D – Late Payers Report

2.4 Agree to receive a quarterly monitoring report going forward combining the overall administration performance report.

3. FINANCIAL IMPLICATIONS

3.1 There are no financial implications arising from this report.

4. REPORT

4.1 The Pension Regulator's (TPR) Code of Practice 14 and The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 set out the requirements for public sector pension funds to maintain comprehensive and accurate data on their members and their member's pension contributions. The regulations also set out requirements in respect of member communications.

4.2 The Avon pension fund has undertaken a detailed review of its member database to assess the level of compliance and reviewed its communications processes and reporting formats for late payments.

4.3 Despite the Regulations appearing comprehensive, some of the wording of the regulations is ambiguous therefore the regulations have been listed together with a statement of how the requirements have been interpreted and how the queries will be reported and resolved (see **Annex 1**).

5. SCHEME CORE RECORD KEEPING

5.1 The regulations require 100% completeness of data across a number of core areas. In all, the fund tested 102,000 membership records on its database as at 1st August, through a series of analytical reports and the level of completeness of data is shown in the table below:

Combined Membership Results		
Data type	No. failed	%
Address	7015	93.17%
Date Joined Fund	6	99.99%
Date of Birth	8	99.99%
Forenames	40	99.96%
Ident 2	109	99.89%
NI Number	102	99.90%
Sex	22	99.98%
Format of Hours	31	99.97%
Surname	0	100.00%
Title	10	99.99%
Missing Serv Casuals	1633	98.41%
Total	8976	91.26%
Membership tested		102695

5.2 The data shows the core data types tested and the number of records which have failed the analytical test. The analysis is further broken down by record category in Appendix A. It should be noted that some of the failures may not be

whole but partial e.g. the postcode part of the address is missing or a part of the data is missing.

5.3 Missing or incomplete addresses represent the largest area of missing data. Currently missing addresses for active members are resolved via the employer and pensioner/dependant addresses are resolved directly if payments are continuing.

However no action is taken in respect of deferred members until 6 months before the pension is due to be paid, when the Fund begins its tracing process including where necessary the use of private tracing agencies. Over 80% of the address queries are in the deferred category.

5.4 It should be noted that the snapshot of 1st August is a fluid position as members join and leave the scheme or move into retirement. It should also be noted that many of the data failures relate to historic data. The fund does have strong controls in place to deal with emerging issues through the introduction of the Data Quality team and use of Electronic data transfer systems which highlight omissions on a more frequent basis rather than relying on the year end reconciliation. The Fund is however still dependent on employers for the supply of information.

6. Casual hours

6.1 Under the Final Salary Scheme working hours are recorded for all members. Returns for casual hour workers should have been received annually as at 31 March and updated on the member records. However many employers have not regularly supplied this data and the missing information is requested from the employer when the Fund is notified that the member is leaving the scheme or changing to contractual employment.

6.2 With the introduction of the CARE scheme the notification of annual hours for casual members will no longer be needed. As at 1 August 2015, there are 1633 casual member records on the system, all of which will require data reconciliation to verify pensionable service. All employers with casual members will be contacted and required to provide missing information.

6.3 The table bellows shows the employers with the most casual member records:

Employer	No. of casual employees
Bath Spa University	605
University of West of England	230
Bristol City Council	190
South Gloucestershire Council	190
Bath & North East Somerset Council	77
South Glos & Stroud College	61
North Somerset Council	38

6.4 In 2008 casual members working with no mutuality of obligation were excluded from the LGPS. At that time a full reconciliation of the four local Unitary Authorities data was undertaken. Further Education employers established mutuality

of obligation during that time. The cases in the above table have arisen since this date.

7. Historic frozen refunds

7.1 These refunds are due to members who left the scheme prior to 2004 when the regulations did not entitle members to a deferred benefit if they had less than two years' service. They consist of either members who chose to hold the refund in the Scheme for a temporary period or members who left the Scheme and the Fund did not receive any leaver information only being identified as part of the year end reconciliation process.

7.2 A project has been in progress since the beginning of 2013 to trace members and pay the contribution refund due to them. Many of the records hold only basic 'skeleton' information therefore the Project Team has to create the record from microfilm, employers and HMRC data before a calculation can be processed, as well as tracing the member who may be unaware that a refund is due to them. It is therefore a time consuming task.

7.3 Progress to date is as follows:

Total outstanding January 2013	2008 cases
Completed in 2013	364 cases
Completed in 2014	685 cases
Completed in 2015	47 cases
Still Outstanding as at July 2015	912 cases

7.4 The total outstanding historic contributions waiting for refund on the member records amounts to approximately £263,000, with £3.01 representing the lowest amount and £3,290.00 the highest. The estimated mean average value of contributions to be refunded is £400.

7.5 Member tracing is prioritised by amount due and member age. Tracing members is primarily by a third party tracing bureau. More in depth tracing is undertaken at cost if the primary method is unsuccessful.

7.6 From 1 April 2014 the regulations have reverted to a two year vesting period. A report has been created to identify any frozen refunds after the maximum five year period members can hold them in the LGPS to ensure this situation does not happen again.

8. AVC Reconciliation

8.1 As well as the LGPS records a number of members make contributions to AVC's held with Equitable Life & Friends Life. In total there are 738 member records with an AVC (480 active members and 258 deferred members). The Fund carries out an annual reconciliation of AVC members for compliance.

9. Record of Transactions

9.1 Part 5 of the regulations specifies the requirements for the recording of transactions. Each requirement is specified in Annex 2 along with the process by which the Fund is complying.

9.2 The Altair system holds detailed member records including their contributions, benefits payments and any transfers. The Council's Financial Management System holds records of all financial transactions from employers and their employees.

9.3 Most financial transactions in the Financial Management System are aggregated. The receipt of contributions from a single employer will include the contributions for all their members. The payment of thousands of pensioners will be covered by a single BACS file.

9.4 Reconciliations between Altair and the Financial Management System ensure that the data on Altair reflects the financial transactions shown on the Council's Financial Management System and that the transactions shown on the Financial Management System are backed up with the necessary details on Altair.

9.5 The Pension Fund's section of the Council's Financial Management System is further reconciled to the Pension Fund's bank account to ensure that it reflects the actual transactions (and only the actual transactions) that have occurred. These reconciliations are independently audited as part of the annual audit of accounts.

10. Maintaining contributions

10.1 The Fund is required to monitor the receipt of contributions and report materially significant late payments to the Pensions Regulator. The Fund already has a procedure in place to do this and has reported quarterly to the Committee for some time.

10.2 The Fund maintains a record of late payments showing the due date and actual date of payment, the amount of payment, and the reason for the delay. Late payments have previously been reported to Committee if they were in excess of £3,000 and more than an aggregate total of nine days late in three months. In future all late payments will be reported (see **Appendix D**).

11. Providing information to members

11.1 The Fund has a published communications policy that:-

- Ensures members have accessible and timely information on all aspects of their pension's benefits and informs and enables decisions in respect of their pensions.
- Enables employers to make effective decisions in the management of risks and liabilities as well as facilitates engagement in the wider pension debate.

11.2 Part of the regulations specifies the requirements to disclose information about benefits and scheme administration to scheme members and others. Each requirement is specified in **Annex 3** along with the process by which the Fund is complying. In all cases the Fund is 100% compliant with the requirements.

12. Internal Disputes Resolution Procedure [IDRP]

12.1 Under the LGPS Regulations there is the provision that Scheme Members can exercise a right of appeal for any disagreement that cannot be resolved.

This is done under an IDRP. Due to a change of personnel and with the introduction of TPR guidelines within its code of practice, a review of our procedure is currently being carried out and a full report on this will be included for the December Committee.

The table in **Appendix E** shows the cases going through at the present time.

13. GMP Reconciliation

13.1 This project is required to ensure that data held on HMRC records matches our records to ensure incorrect payments are not made. A note regarding this was set out for the Committee in March 2015 and is included again in an update within Item 16 of this Committee. Some important areas concerning this matter are still being discussed within working groups with HM Treasury and a full report on the scope will be included at a subsequent committee meeting when details are finalised. Some initial population checks between our data and that held at HMRC have begun.

14. DATA IMPROVEMENT PLAN

Core Data

14.1 A Data Improvement Plan has been produced to address the issues identified over a two year basis reflecting the fact that it is not essential to prioritise some of the issues as they are not material to valuation of the fund or to individuals for whom pension payments are still some way ahead. It should be noted at this point that at the time of pension payment coming into effect, an employee's record is checked in detailed as part of the necessary rigour in calculating the correct pension.

14.2 As outlined in the Funds Administration Strategy and Service Plan, the Committee has agreed to continued investment in technology to ensure the accurate and efficient transmission of data between the fund and employers and this project continues to roll across employers. In order to ensure the Fund achieves the level of accuracy required on a consistent basis though, a proactive engagement programme will be undertaken with employers focusing on:

- Dealing with historic information requirements
- Addressing emerging data issues as they arise
- Establishing control processes within employers as a preventative measure
- Training employers staff on TPR and fund requirements
- Reminding employers of the new roles of the Pensions Regulator and The Pensions Board
- Addressing other pension issues the employer may have

14.3 The priority will be to investigate and resolve all non-address data queries. The plan for correcting addresses will be to prioritise pensioner and dependant members deferred members over age 55 (833 members over 55). Active members will be investigated by communication with respective scheme employer. A third

party tracing bureau will be employed for deferred and pensioner members. The Fund will liaise with continue to liaise with other government departments where necessary to resolve issues of missing NI Numbers.

15. Casual hours

15.1 A project has been established to work with employers to ensure all member records have details of service up to 31 March 2014. Initially we are working with the employers with the most casual employees. It is likely that the project will take until June 2016 to complete.

16. Historic frozen refunds

16.1 Work will continue on this project prioritising cases according to age and size of the refund. Additional resources will be allocated as work pressures allow. Based on current resources the project will take until May 2017 to complete.

17. Quality review

17.1 Although not specifically identified in the regulations the TPR code of practice highlights the risks of not having sufficient internal controls and working closely with poorly performing employers to improve their data. Therefore as well as continuing with the data improvements as set out above the following improvements will also be implemented:

- Offering classroom style training courses on employer responsibilities and Employer Self Service.
- Enhancing engagement with new employers to ensure they are fully aware of their responsibilities and have the necessary systems in place to comply
- Identify poorly performing employers from the year end exercise and work with them to do a complete reconciliation of data and carry out training required to improve performance
- Introduce same day checking of leaver forms and feedback errors. Collate and report on poor performing employers

17.2 Further software development has been commissioned to enable the monthly loading of CARE scheme data in 'real time'. It is anticipated that this will be available within the next 12 months which will enable more efficient data reconciliation.

17.3 A central record of all levels of compliance for all scheme employers has been established and will be updated on an ongoing basis.

18. Reporting

18.1 The quarterly Administration report will be revised to include a progress report on the Data Improvement plan including the level of compliance achieved by Employers together with an ongoing report on the quality of data received (**Appendix C**).

18.2 A quality assurance statement will be produced annually which will be used to benchmark the ongoing quality of data and enable the Committee to assess progress made and identify areas of further improvement.

18.3 All information in respect of current level of compliance and improvement plans will also be reported to The Pensions Board who has a specific responsibility for monitoring levels of compliance and ongoing improvement.

19. RISK MANAGEMENT

19.2 A risk assessment related to the issue has been undertaken in compliance with the Council's decision making risk management guidance.

20. EQUALITIES

20.1 An equalities impact assessment is not necessary.

21. CONSULTATION

21.1 N/A

22. ISSUES TO CONSIDER IN REACHING THE DECISION

22.1 Are contained in the report.

23. ADVICE SOUGHT

23.1 The Council's Monitoring Officer (Divisional Director – Legal and Democratic Services) and Section 151 Officer (Divisional Director – Support Services) have had the opportunity to input to this report and have cleared it for publication.

Contact person	Geoff Cleak, Acting Pensions Manager 01225 395277
Background papers	The Pensions Regulator Code of Practice 14: The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 and Various Statistical Records
Please contact the report author if you need to access this report in an alternative format	