



**Pensions Board  
12 March 2018**

**Report from the Chief Finance  
Officer**

**The Pensions Regulator**

<b>Wards Affected:</b>	N/A
<b>Key or Non-Key Decision:</b>	N/A
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
<b>No. of Appendices:</b>	(1) Record Keeping Plan (2)
<b>Background Papers:</b>	▪ N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Conrad Hall, Chief Finance Officer

## **1.0 Purpose of the Report**

- 1.1 This report provides an update to previous report to the Pensions Board on the requirements of The Pensions Regulator in relation to the scheme's record keeping plan and the current status of annual benefit statements. This is in view of previously reported breaches of statutory regulations and the significant data issues that have been identified as a result.

## **2.0 Recommendation(s)**

- 2.1 That the Pensions Board notes the report.
- 2.2 That the Pensions Board request officers to investigate possible sanctions that could be applied to participating employers that do not comply with the statutory regulations.

## **3.0 Detail**

### **Record Keeping Plan**

- 3.1 The Pension Regulator has published a guide for trustees and scheme managers to put an improvement plan in place where data issues have been identified. This is attached as Appendix A.

- 3.2 The guidance sets out a number of minimum requirements all pension schemes must meet in order to demonstrate good levels of understanding and adherence in ensuring the upkeep of suitable data. Accurate pension scheme data is critical for the smooth running of a pension scheme to identify members and accurately calculate member benefits. The guidance categorised data in two ways 1) Common data and 2) Conditional data, each with a minimum number of requirements.
- 3.3 The Common Data items are: National Insurance number, surname, forename and/or initials, gender, date of birth, date pensionable service started, expected retirement date, membership status, last status event, address and postcode. Conditional data consists of all the types of data used to accurately calculate benefits which are conditional to the make-up of each pension scheme.
- 3.4 The root cause of some of the underlying data issues rests with information flow from payroll providers for schools and other organisations (employers) which have admitted body status or are already LGPS members. The council provides payroll services for only four schools. This means that as administrators of the scheme, the council will frequently have to chase queries from other employers and/or payroll providers if the data is not forthcoming. To date, the council has not considered any sanctions that could be applied to those non-compliant employers, however further work is required to identify the legal and regulatory framework within which this would be possible.
- 3.5 In brief, the scheme's data issues mainly relate to the provision of active member information provided by employers, and missing information such as salary information, missing service / information on contracted hours, missing part time hours and salaries below a minimum wage. There are also other data issues such as incomplete CARE events, missing CARE salary history, CARE benefit calculation issues, and up to date addresses not held. It is for these reasons that it has been challenging for the scheme manager to produce annual benefit statements on time, as required by legislation.
- 3.6 Despite the issues identified above in relation employer compliance and the related data issues, it is the responsibility of the third party administrator (via a contractual obligation) to manage and resolve these issues. It is clear, therefore, that the contractor's performance has not met the standards expected which has disappointedly resulted in the failure to meet the scheme's statutory requirements. Further details of underperformance are noted in the audit report on the same agenda.
- 3.7 Following the submission of the Record Keeping Plan presented to the Pensions Board on 21 November 2017, The Pensions Regulator wrote to Brent on 29 November stating that the plan does not meet the standards expected as set out in their guidance and therefore adherence to the regulations (Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014). Specifically,
- It does not set out how we intend to specifically address the data issues
  - It does not address how we intend to improve the quality and timeliness of data of information provided by employers
  - It does not address how and when we will rectify the reported breach in relation to annual benefit statements in a reasonable timescale.
- 3.8 The Pensions Regulator expressed the following elements to be incorporated in the improvement plan:
- Clear objectives on how we intend to achieve improvements in data, in order of priority

- Clear outcomes that will be achieved based on the above objectives, including how they will be measured and how long it will take to achieve them
  - Clearly set out the scope of improvement work
  - A breakdown of activities the scheme administrator will undertake on behalf of the scheme manager, including methodology used, resource allocation, timescales and success criteria.
  - A timeline that sets out key milestones, reporting and decision points
- 3.9 The Pensions Regulator expected a revised and robust record keeping plan to be submitted by 5 January 2018, including a pro forma that breaks down further detailed information about the scheme. Failure to do so would be considered a failure to meet our legal obligations and enforcement action could be taken, including an improvement notice. The Regulator's letter is attached at Appendix B.
- 3.10 The revised record keeping plan and pro forma were submitted to the Regulator by the deadline, as set out in appendices C and D respectively.
- 3.11 Following the submission, officers met with the Regulator on 22 January 2018 to discuss the record keeping plan and actions being taken to address the data issues. Initial feedback was positive and further checkpoint meetings are planned over the next six months to monitor progress against the plan.

### **Annual Benefit Statements**

- 3.12 As reported to the Pensions Board in November 2017, 100% of annual benefit statements had not been sent out by the statutory deadline of 31 August 2017. Where possible, Capita have notified members of this and have been working to resolve the outstanding queries.
- 3.13 Active members on the End of Year Returns as at 31 March 2017 supplied to Capita were 6,125, but this included 374 leavers so the active membership was 5,751. ABSs sent to active members by 31 August 2017 was 4,123. Since this date a further 198 ABSs have been sent out, leaving 1,430 remaining. Of this, 1,179 have various queries that require further investigation and are being resolved with employers/schools, including low or no salary information and no pension record. Capita aim to supply the remaining 251 ABSs by the end of January.
- 3.14 Of the deferred members, the position remains the same as previously reported; 6,027 out of 8,014 ABSs have been sent out, of which 103 are no longer deferred and should be in receipt of their pension, 29 have queries outstanding with employers and 371 require an IT solution to fix. The vast majority, 1,484, of deferred members that have not received an ABS are where an up to date address is not held on the system. Typically this is where members have moved addresses and not informed us of their new address. In order to address this as quickly as possible, Brent have commissioned a specialist tracing company to locate and contact these members.

### **Publishing Scheme Information**

- 3.15 Certain information relating to public service pension schemes needs to be published so that scheme members and interested parties know that their scheme is being managed effectively. In addition, the scheme manager must publish and keep up-to-date information about the pension board.
- 3.16 In response to this requirement, the Council has improved the layout of the external website, linking the Pension's webpage to the Pension Board's democratic services webpage to ensure members and interested parties can easily find all relevant information. Other useful information has also been added including the Pensions Administration Strategy, the Funding Strategy Statement, the Investment Strategy Statement, and actuarial reports.

#### **4.0 Financial Implications**

- 4.1 There are no specific financial implications associated with noting this report.
- 4.2 Nevertheless, there are resource implications arising as a result of poor contractor performance. Additional expenditure and resources are required to oversee non-compliant employers, legal oversight in terms of contractual obligations and additional officer time in managing the relationship with the Regulator to prevent any enforcement action. The total cost of these resource implications has yet to be fully quantified as actions are ongoing, but are ultimately funded from the Pension Fund which is entitled to be recompensed.

#### **5.0 Legal Implications**

- 5.1 None arising directly from this report

#### **6.0 Equality Implications**

- 6.1 None arising directly from this report

#### **7.0 Consultation with Ward Members and Stakeholders**

- 7.1 Not applicable for this report.

#### **8.0 Human Resources/Property Implications (if appropriate)**

- 8.1 None arising directly from this report

**Report sign off:**

**Conrad Hall, Chief Finance Officer**