

 Brent	Pensions Board 24 July 2018
	Report from the Chief Finance Officer

Wards Affected:	ALL
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	OPEN
No. of Appendices:	4
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Conrad Hall, Chief Finance Officer Ravinder Jassar, Head of Finance

1.0 Purpose of the Report

1.1 This report updates the Pensions Board on the performance of the external contractor (Capita) responsible for the delivery of the pension's administration services, including the work undertaken to date with The Pensions Regulator with regards to governance and record keeping. This report also introduces key documentation that will significantly improve governance of the scheme.

2.0 Recommendation(s)

- 2.1 The board is recommended to note the report.
- 2.2 The board is recommended to agree the Risk Management Strategy and Risk Register as set out in Appendix three.
- 2.3 The board is recommended to agree the breaches policy as set out in Appendix four.
- 2.4 The board is recommended to agree the high level principles that will feed into to a draft Pensions Administration Strategy as set out in section eight.

3.0 Annual Benefit Statements

- 3.1 As previously reported to the Pensions Board, the scheme administrator did not send out 100% of annual benefit statements (ABS) by the statutory deadline of 31 August for both the 2015/16 and 2016/17 ABS roll out. As a result of this breach the scheme administrator has had to report itself to The Pensions Regulator for two years in a row.
- 3.2 In relation to the Active members, there were 5,751 active members as at 31 March 2017 that were due an annual benefit statement and 4,123 were issued by 31 August 2017.
- 3.3 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 and service information. There are also other data issues such as incomplete CARE events and missing CARE salary history. The root cause of some of the underlying data issues rests with information flow from payroll providers for schools and other employers where officers and Capita will frequently have to chase queries from these employers and/or payroll providers if the data is not forthcoming. It is worth noting that Capita's performance has been sub-standard in dealing with these issues proactively and therefore, it has been challenging for the scheme manager to produce ABS on time, as required by legislation. The Council has agreed a number of actions to help prevent these issues re-occurring, including:
- Further engagement with employers (Employer forums, a working party with select employers, training, attendance at Schools bursar meetings);
 - Formal confirmation, in writing, from employers that they understand their legal obligations and the consequences of non-compliance;
 - Sanctions, and other relevant escalation procedures, for non-compliant employers (to be implemented as part of the revised Pensions Administration Strategy)
 - More regular data collection rather than once a year (to be implement as part of the transition to LPP)
 - Capita to increase resources for the 2017/18 ABS roll out (agreed as part of 2017 Internal Audit recommendations), in particular implementing a robust monitoring process to track the status (whether received, had queries or no issues noted) of each employer submission.
- 3.4 As at 14 May 2018 (last formal update from Capita) all ABS for 2016/17 have now been issued to those that are eligible. For the active members, a small cohort of records were found to be duplicates (and since deleted), there were records of leavers with no notifications and some records with zero hours recorded and therefore, did not produce results. Capita will be updating these records as part of their ongoing business as usual activities. Although performance on ABS has not been satisfactory, officers are pleased that this matter can be drawn to a close, with the focus going forwards being placed on the 2017/18 ABS roll out.
- 3.5 In relation to deferred members, 1,478 records did not have an up to date address and so did not receive an ABS. Typically this is where members have moved addresses and not informed Capita of their new address. A specialist tracing

company (Target) was commissioned in order to locate the members in February 2018. At the time of writing this report Target were successful in finding 1,110 addresses (75.1% of the total) and Capita have updated the member records in time for the 2017/18 ABS roll out. Of the remaining 368 missing addresses, these members are proving more difficult to find and so further, more extensive, search options are being explored. If these are pursued then they will necessarily be somewhat expensive, as Target suspect that some of these members may have moved overseas and some could be deceased.

3.6 In terms of the 2017/18 ABS roll out, at the time of writing this report, Capita have received all end of year submissions from employers and are working to resolve any outstanding queries with those relevant employers. This is significantly earlier than the same point last year. In terms of active members, Capita have stated that the work undertaken to date appears to be on track against their project plan to meet the 31 August statutory deadline. Capita have confirmed that ABS for deferred members, where Capita hold an up to date address, have been produced and sent to the printers ahead of despatch to members. Officers are awaiting formal confirmation of the despatch date from Capita.

4.0 **Record Keeping Plan**

4.1 The Fund's Record Keeping Plan (RKP) was presented to the Pensions Board at its last meeting of 12 March 2018. By way of background, the RKP is a key document for the scheme manager as it formally documents the actions being taken to review and address the data issues unique to Brent's circumstances as well as set out an improvement plan that complies with The Pensions Regulators' (TPR) guidance. In terms of governance, the RKP is updated and reviewed regularly by Brent officers as well as being shared with Capita as they are critical to most of the key outcomes. The RKP, and the updates to it, are also regularly reported to TPR.

4.2 An extract of the RKP is attached as Appendix one. Key updates since the last Pensions Board meeting on 12 March are:

- Data cleansing of conditional and common data (to be completed by 30 July 2018);
- Employer engagement activities;
- Transition to the new scheme administrator, LPP;
- Annual Benefit Statements; and
- Missing addresses found by Target.

4.3 With regards to data cleansing, the work is expected to be completed at the end of July 2018. To date, reasonable progress has been made on missing date of births and last status events.

4.4 Overall, as a result of the RKP, significant progress has been made in terms of the quality of member data, governance of the overall scheme and effectiveness of the Pensions Board with regards to its scrutiny role. However, in relation to data management and improvement, it is recognised that it is a continuous process and not a one-off exercise. Engagement with data will not end when the improvement

plan is delivered. The scheme manager will regularly check the data required to run an efficient and effective scheme, and make sure data is managed well on a day to day basis.

5.0 The Pensions Regulator

5.1 As a result of the breaches to the statutory deadline of sending ABS by the 31 August, the scheme manager has been meeting with TPR regularly. The emphasis of these meetings has been to ensure the scheme manager is compliant with all of the relevant regulations and guidance in relation to data management/quality (i.e. having a record keeping plan in place), having robust governance, reporting and risk management arrangements and having an effective Pensions Board.

5.2 After submitting the Record Keeping Plan to TPR in January 2018, four meetings have taken place. At its most recent meeting, TPR provided positive feedback on progress in delivering the RKP to date and the work undertaken in relation to transitioning to a new scheme administrator. In order to record this progress a note on key metrics has been produced and is attached at Appendix two, which details all of the individual activities and actions taken.

6.0 Risk Management

6.1 As part of the overall governance of the scheme and ensuring compliance with good practice guidance there have been a number of discussions with TPR on the management of risk, specifically:

- How the scheme manager identifies, manages and monitors risks and issues;
- Who owns and leads on risks and issues;
- Pensions Board involvement in risk;
- Managing outsourced services.

6.2 Effective risk management is a way for the scheme manager to identify and manage scheme risks and it is considered good practice to have a strategy and register in place alongside established reporting mechanisms. Using TPR guidance, together with Brent's internal risk management resources, a process was undertaken to produce a risk management strategy that was unique to Brent's circumstances. This involved a workshop that identified all of the relevant risks, assessed those risks in terms of likelihood, understanding risk management and contingency planning, monitoring risks and documentation in a register.

6.3 It is recognised that risk management works well when the administering authority, the Pensions Board and employers work together. Both parties then understand each other's capacity and appetite for risk. Key elements of this strategy were discussed at a recent working party set up with the scheme manager, administrator and select employers for feedback and comment. Further engagement is planned as part of the employer consultation of the new Pensions Administration Strategy and will also need to be updated from October following the transition to LPP. The risk management strategy and register are attached at Appendix three and it is

proposed to present any changes or updates to this document to the Pensions Board.

7.0 Reporting Breaches

7.1 As part of the scheme's responsibility to have in place robust governance arrangements (such as a Pensions Administration Strategy, Risk Management Strategy and Record Keeping Plan) the Scheme manager is also proposing that a policy is put in place to set out how breaches of the law are identified, recorded and reported. As part of The Pensions Regulator's Code of Practice (no 14) breaches to the law must be considered for reporting to The Pensions Regulator. The purpose of the policy is set out that where a breach of the law (or other guidance) is identified all relevant parties will take the necessary steps to consider the breach and report it to the Regulator, rather than having the breach solely reported by any of the other reporters. All incidents of breaches will be recorded in a log, with a clear decision process to determine either serious failings or fraudulent behaviour. Where such incidents are identified immediate action will be taken to put in place a plan of action to rectify the matter and prevent such an occurrence in the future. Breaches will be notified to the Regulator as soon as is reasonably practicable once there is reasonable cause to believe that a breach has occurred and that it is of material significance to the Pensions Regulator. The policy is attached at Appendix four and sets out further details of the decision processes involved in determining materiality and reporting arrangements.

8.0 Pensions Administration Strategy

8.1 A Pensions Administration Strategy is a statement that outlines the policies and performance standards towards providing a high quality, effective and efficient pensions administration service. The aim of the strategy is to ensure that both the Fund and its employers are fully aware of their responsibilities under the Scheme and to set acceptable levels of performance. Delivery of such an administration service is not the responsibility of one person or one organisation, but is rather the joint working of a number of different stakeholders, which between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership. Therefore, it is important that it is developed in consultation with employers within the Fund to promote good working relationships, improve efficiency and ensure agreed standards in quality.

8.2 Brent's Pensions Administration Strategy was last updated in 2014. Given the regulatory changes within the LGPS since that time, the intervention of the Pensions Regulator in 2017 and the planned transition to LPP from October 2018 it is an opportune time to update the statement. In addition it is important to have an overarching strategy statement that underpins all of the improved governance arrangements that have been implemented in the last six months, for example the Record Keeping Plan and the Risk Management Strategy and Risk Register.

8.3 Officers are working closely with LPP to produce a statement that reflects the above and other circumstances that are unique to Brent. As part of this development work the Pensions Board are asked to agree the following high level principles:

- Consultation with employers will be undertaken to obtain feedback and other relevant comments. This will include presenting the strategy to the next Employers' Forum, presenting to the Brent Schools Bursars meeting, contacting each individual employer by email and detailed discussions at the next Employer working party.
- The ultimate aim of this strategy is to educate employers to provide accurate and timely data to the Fund which will improve the service provided to scheme members. The administering authority will seek, at the earliest opportunity to work closely with employers in identifying areas of poor performance and provide the necessary training and development to put in place appropriate processes to improve the level of service into the future. In the event of continued poor performance and a lack of any evidence of measures being taken to achieve improvement by an employer the Fund will seek to recover any additional costs arising and in some cases charge for other services (for example failure to pay over monthly contributions or failure to notify the Fund of key information such as starters, leavers, deaths, etc.). Charging is a last resort but the Fund reserves the right to levy a charge(s) on a scheme employer whose performance repeatedly falls short of expectations. It is also The Pensions Regulators' expectation that actions such as this are taken for non-compliance of legal obligations.

9.0 Financial Implications

9.1 There are no direct financial implications from this report.

10.0 Legal Implications

10.1 Not applicable.

11.0 Equality Implications

11.1 Not applicable.

12.0 Consultation with Ward Members and Stakeholders

12.1 Not applicable.

13.0 Human Resources

13.1 Not applicable.

Report sign off:

Conrad Hall
Chief Finance Officer