



Pensions Board
13 December 2018

Report from the Chief Finance Officer

Pensions Administration – monitoring and contract arrangements

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:	1
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 is a performance report for the Brent Pension Board as part of its remit to oversee the administration of the Brent Pension Fund. The report includes commentary on performance indicators, administrative updates and recent developments.

2.0 Recommendation(s)

2.1 The board is recommended to note the report.

3.0 Annual Benefit Statements 2018

3.1 An annual benefit statement (ABS) was issued to all members identified on the year end returns from employers by the statutory deadline of 31 August 2018 for active members within the scheme. There were a small number of records where either data was missing or queries from year end returns had not been resolved in time. For these members an ABS could not be produced as employers had not been forthcoming with the relevant information. The vast majority of these employers were schools that were closed over the summer months and could not respond to Capita's queries in time for the scheduled print run in mid-August. That said, as part of the project management of the ABS rollout officers were aware of

these employers and both Capita and Brent officers have been in contact with the employers pursuing the required information and escalating where appropriate. Despite the non-compliance of some employers, both the number of employers and the volume of outstanding queries has significantly reduced compared to last year.

- 3.2 Given the change in administrator during this period, each of these outstanding queries have been logged and case files have been transferred to LPP. As part of the transition to LPP, this work was expected and built in to the project plan for post go live. LPP will be working with the relevant employers to resolve the remaining outstanding queries to enable them to issue a manual statement of benefits to those members.
- 3.3 In relation to deferred members, an ABS was sent to all members where an up to date address was held. Last year 1,478 records did not have an up to date address and so did not receive an ABS. The scheme manager then procured the services of a specialist tracing company, Target, who were successful in finding the new addresses of over 75% of these members. There remain 364 deferred members where an up to date address could not be found and so did not receive an ABS in this year's ABS rollout. These members are proving more difficult to find and so further, more extensive, search options are being explored with both Target and LPP. 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.
- 3.4 Although it is unsatisfactory that not all ABS could be produced, as per Breaches Policy agreed at the last Pension Board, a decision as to whether to report a breach to The Pensions Regulator (TPR) was considered. At this stage, following a discussion with the Independent Chair of the Pension Board, the Chief Finance Officer and the LPP, it is considered that this is not a material breach to report to TPR. The main considerations for this decision are set out below.
 1. In relation to active members, prompt action has been taken and a plan has been put in place to resolve the outstanding issues as soon as reasonably practical.
 2. The scheme manager will work closely with LPP and employers to resolve the outstanding queries as soon possible, treating the overall exercise as a high priority.
 3. The scheme manager has contacted those employers who have not complied with their legal responsibilities.
 4. LPP's online portal for updating member records will be made available for all employers to update missing information.
 5. Employer engagement, support and training has been arranged. An Employers Forum was held on 12 October and included presentations from Hymans and LPP. Further training on pensions administration, delivered by LPP, was held on 22 November and all employers were invited to attend.
 6. A revised Pensions Administration Strategy has been issued to all employers that sets out their legal responsibilities, acceptable levels

of performance and actions that will be taken for non-compliance (including fines).

7. In relation to deferred members, the scheme manager has taken action to find the majority of missing addresses of these members and a small cohort now remains. Further options are being explored however at this stage it is considered not to be a material breach to the report to TPR.

- 3.5 In reaching these decisions, the scheme manager has taken note of the new guidance issued by TPR. The guide sets out an annual review process, the importance of planning and the importance of regularly reviewing the quality of data. The guide is attached at Appendix A and also includes a number of useful case studies that reflect similar issues with those experienced by Brent.

4.0 Transition to LPP and data cleanse project

- 4.1 The transition to LPP was successful and the service went live on 1 October 2018 as planned. Monthly contract performance meetings have been arranged where performance against agreed service level agreements (for example time taken to process joiners, transfers in/out, retirements, deaths, refunds, etc.) will be monitored and it is planned to report these to the Pension Board on a quarterly basis. Unfortunately, at the date of despatch of this report the first performance report was not available.

- 4.2 In addition to the business as usual (BAU) contract arrangements described above, a separate project has been commissioned to cleanse common and scheme specific (conditional) data. This includes resolving the outstanding queries in relation to annual benefit statements described in section 3.2. This is to be treated as a separate project so that additional dedicated resources can be put in place, to ensure the data issues can be resolved as quickly as possible and to not affect performance against the day to day service.

- 4.3 LPP use a bespoke data analysis tool, CODEX, to evaluate scheme data and assess the level of compliance against specific measurements, common data, scheme specific data and a range of other data areas taken from actuarial checks carried out at valuation.

- 4.4 Common data is data that The Pensions Regulator states must be 100% complete for all members of the pension scheme. The list below confirms the type of data items TPR considers to be common data;

- National Insurance Number
- Surname
- Forenames and/or initials
- Sex
- Date of Birth
- Date Pensionable service started
- Membership Status
- Expected Retirement data
- Last Even Date

- Address
- Postcode

4.5 Scheme specific data or conditional data is less descriptive, but TPR does specify some guidance on the type of information that should be measured. The measured data should focus on information which is key to running the scheme and meeting legal obligations. LPP have identified scheme specific data to be;

- Pension value data
- Date joined employer
- Date joined scheme
- Date of leaving
- Date pension started
- Final salary details
- Salary (different measurement to final salary)
- Contribution data
- Scheme employer
- Marital status
- Missing pension detail screens
- Age discrepancy
- Invalid CAY

4.6 In addition to common and scheme specific data LPP also carry out several checks in line with type of data errors the scheme actuary will pick up during valuation. These include but not limited to;

- Missing GMP data
- High Pensionable remuneration
- Low Pensionable remuneration
- High Pensions
- Missing dates on keys screens, such as CARE pension dates
- AA and LTA information
- Pension Increase date

4.7 LPP has run the CODEX analysis against our data and discussions have taken place with Hymans Robertson, the Fund actuary, and Brent officers to agree priorities for the data cleanse plan ahead of the next triennial valuation planned for 2019. The initial analysis found that the Common data score was 98.6% (TPR require that this is 100%) and the Scheme Specific (conditional) data score was 93.4%. Although no comparative analysis is available on conditional data it has been deemed as adequate, albeit requiring improvement, by LPP and the Hymans Robertson. It is envisaged that this data cleanse project will subsequently be incorporated into the scheme's Record Keeping Plan and presented to the Pensions Board at its next meeting.

4.8 The Local Government Association are currently looking to coordinate a standard for conditional data across Local Government Pension Schemes to ensure consistency across Funds for comparison.

- 4.9 During the transfer there was a period of downtime between when the live pension scheme data was extracted from the Capita Hartlink system and the go live date with LPP (17 September 2018 to 1 October 2018). This downtime was accounted for in the project plan and all cases received or requiring action during the down time were sent to LPP and it was agreed that these would be worked on as part of the normal BAU activities. Upon receiving the ongoing task list from Capita, it was clear the backlog of cases extended further back than the agreed downtime period with 393 cases in progress but with a contractual due date before the 17th September. It was therefore agreed that these cases would fall outside of BAU activities and be dealt with as a separate project so that additional resources could be deployed and queries could be resolved as soon as possible. At the time of despatch of this report 53 cases have been resolved.
- 4.10 The project team will be made up of several pension administration team members all with the relevant experience in handling the varying types of cases associated with these projects. The cost of clearing the backlog of inherited cases is £7,376. At the time of despatch of this report the cost cleansing common and conditional data had not yet been agreed, although it is estimated to be in the range of £75,000.

5.0 Annual Scheme Return

- 5.1 Public service pension schemes are legally required to provide 'registrable information' to TPR. This includes completing a scheme return each year. TPR also ask for some additional information to help them build up as accurate a picture of public service schemes as possible. Failing to complete the scheme return by the required date could lead to TPR fining the scheme manager or taking other enforcement action.
- 5.2 Information from the scheme return is used for a number of purposes. This includes maintaining a register of pension schemes and calculating schemes' annual levy charges.
- 5.3 Information required in the scheme return includes:
- Scheme details – including name, Pension Scheme Registry (PSR) number, address, scheme type, HMRC reference number and current status.
 - Number of members – active, deferred and pensioner.
 - Scheme manager – name, address and contact details.
 - Pension board members – name, address and contact details.
 - Employer details.
 - Service provider details – such as third-party/in-house administrator, auditor and insurer.
 - Scheme contact – name, address and contact details.
 - Pension Tracing Service contact details – name, address, telephone number and email address.
- 5.4 The 2017/18 Scheme Return for the Brent Pension Fund was submitted to TPR ahead of the statutory deadline of 6 November 2018.

6.0 The Pensions Regulator

- 6.1 The Pensions Regulator wrote to the scheme manager in August 2018, informing them that they will be conducting in depth engagement to discuss governance and administration of the scheme.
- 6.2 TPR are focusing on Local Government Pension Schemes because their recent public service governance and administration survey found that some of the improvements the schemes had been making have stalled and would like to explore further.
- 6.3 The aim of these meetings is to get a wider understanding of the scheme in more depth and ask a range of questions in relation to the schemes wider governance and administration. The aim is not to seek out breaches of the law, however if they become aware of areas of concern they will investigate further to consider whether regulatory action is appropriate.
- 6.4 Five two hour sessions are planned and the topics to be covered are administration risk, record keeping, member communications, internal controls, employer non-compliance, maintaining contributions, the Pension Board's knowledge and relationship with the scheme manager, conflicts of interest, cyber security and fraud.

7.0 Pension Board Training

- 7.1 Training is important to make sure the Pension Board as a whole has the skills, knowledge and understanding to support the scheme in running properly.
- 7.2 Following the May 2018 elections a number of training sessions have been organised for Pension Board members to increasing their knowledge and awareness of relevant issues. In May, a bespoke training session was delivered by officers and Hymans to members of the Pension Board and members of the Pensions Sub Committee. Also, at the July meeting of the Pension Board a more in depth training session was delivered on the role of the Pension Board, focussing specifically on governance and the importance of record keeping. At the meeting of February 2019 a training session is being developed to focus other relevant topics, in particular the valuation. Further invites will be sent to Pension Board members when other relevant training, seminars, conferences and networking events are identified.
- 7.3 TPR provide a free online learning programme call the Trustee toolkit and they expect all Pension Board members complete these courses. The courses cover the basic knowledge and understanding required by law to support the scheme manager. The courses are free, easy to use and allows one to learn at their own pace.

8.0 Financial Implications

8.1 LPP have been commissioned to undertake two separate projects alongside the normal day to day running of the pensions administration contract in order to comply with The Pensions Regulator's expectations. It is envisaged that the total cost of these projects will be in the region of £82k and will be funded by the Brent Pension Fund.

9.0 Legal Implications

9.1 Not applicable.

10.0 Equality Implications

10.1 Not applicable.

11.0 Consultation with Ward Members and Stakeholders

11.1 Not applicable.

12.0 Human Resources

12.1 Not applicable.

Report sign off:

Conrad Hall
Chief Finance Officer