Committee report

Committee	**PENSION FUND COMMITTEE**
Date	**23 NOVEMBER 2018**
Title	**DATA IMPROVEMENT PROJECT UPDATE**
Report of	**TECHNICAL FINANCE MANAGER**

EXECUTIVE SUMMARY

1.   This report sets out the progress made against the pension fund's data improvement plan, including the historic data issues, the Guaranteed Minimum Pension (GMP) reconciliation and the introduction of i-connect software.

2.   Members are asked to note progress made and plans for future action to resolve data quality issues in time for the forthcoming valuation of the fund at 31 March 2019.

BACKGROUND

3.   As part of the 2016 triennial valuation of the fund, a number of data errors were identified which had an impact on the amount of work both fund officers and the actuaries had to do in finalising the valuation.

4.   Subsequent to this exercise, and as a result of ongoing interest from the Pensions Regulator, a data improvement plan was created, which set out actions to correct both historic (up to 31 March 2017) and current data (year ended 31 March 2018) and future actions to improve the quality of data received from employers, including the Isle of Wight Council and outsourced payroll providers for school.

5.   These actions have now been combined into two projects:

   (a)   Historic data improvement project – outsourced to ITM Limited via procurement exercise through the National Local Government Pensions Scheme (LGPS) Framework

   (b)   i-connect software project – introduction of software interface between employer payroll and pension administration software systems.

6.   In addition to the internal data improvement plan, the fund is in the process of reconciling its Guaranteed Minimum Pension (GMP) data with that held by HMRC, following the cessation of contracting-out of state pensions. This project work has been out-sourced to JLT Limited, again following a procurement exercise through the National LGPS Framework.

7.   The current success matrix supporting the data improvement plan is attached as appendix 1 to this report.

DATA IMPROVEMENT PROJECT

8.   Since their appointment in July 2018, ITM Limited have held meetings with the two out-sourced payroll providers for schools to set out the requirements for the correction of schools' data, and have been actively engaging with the two payroll providers to obtain the necessary information.

9.   A briefing session for ITM staff was held at the council's offices to share knowledge of the data issues and the operation of the fund's administration system.

10.   A call was held between fund staff and ITM on 30 October to discuss progress to date.

I-CONNECT SOFTWARE PROJECT

11.   The i-connect software is an interface between the employers' payroll systems and the fund's administration software, to validate data submitted against the previous month, and assist in identifying membership changes (starters, leavers, salary changes, etc.) as they occur, rather than as part of a year-end reconciliation process.

12.   Testing has been completed on the council's payroll system (SAP) with an error rate of four per cent for September 2018: this is well within i-connect's established tolerance of ten per cent. Further testing is being carried out on October's pay run.

13.   A representative from i-connect is providing a briefing session for council payroll and pension administration teams on 22 November, prior to bringing the software into full operation.

14.   The fund's Data Improvement Officer is meeting with other employers individually to discuss the implementation of the software, in advance of an employer forum to be held on 9 January 2019 delivered by i-connect.

GMP RECONCILIATION

15.   All the queries have been raised to the HMRC by the deadline of 31 October 2018 and dependant on the HMRC, JLT are expecting to have the project completed by the end of February 2019.

STRATEGIC CONTEXT

16. The primary objective of the fund is to provide pension and lump sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, in accordance with the Local Government Pension Scheme (LGPS) regulations and statutory provisions. The committee aims to operate the fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the fund's assets and that an appropriate level of contributions is agreed by the employers to meet the costs of future benefits accruing.

17. Maintaining accurate membership data will assist in ensuring that the correct benefit is paid to the correct beneficiary at the right time, for the correct duration.

FINANCIAL / BUDGET IMPLICATIONS

18. The cost of the work being undertaken for the two externally sourced projects is being charged directly to the pension fund, and has no direct impact on the council's budget.

19. Following the completion of the GMP project, there may be additional costs in terms of amendments to pension benefits in payment. The final decision on these costs will be made once the analysis work is completed. Any additional cost will be a charge to the pension fund budget, rather than to the council.

20. Ensuring that the correct data is held for all members in time for the triennial valuation at 31 March 2019 will reduce the level of additional assumptions required by the fund's actuaries in calculating the value of the fund's future liabilities. This in turn will reduce the risk of unnecessary increases in employer contribution rates for the council and other employers within the fund.

LEGAL IMPLICATIONS

21. The Public Service Pensions Act 2013 gave greater responsibilities to the Pensions Regulator for the oversight of public service pension schemes, including the Local Government Pension Scheme.

22. The Pensions Regulator's code of practice no 14 Governance and administration of public service pension schemes sets out the legal requirements for public service pension schemes in respect of the governance of those schemes.

EQUALITY AND DIVERSITY

23. The council, as a public body, is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

24. The improvement of data quality within the pensions administration system will not impact on any of the protected characteristics.

RISK MANAGEMENT

25. Failure to maintain complete and accurate records and put in place effective internal controls to achieve this can affect the fund's ability to carry out basic functions. Poor record-keeping can result in a failure to pay benefits in accordance with scheme regulations, processing incorrect transactions and ultimately paying members incorrect benefits. It may also lead to the fund managing investment risks ineffectively. There is also the potential for the maladministration of members' contributions and failure to identify any misappropriation of assets.

26. The fund must be able to demonstrate to the Pensions Regulator that it keeps accurate, up-to-date and enduring records to be able to govern and administer the pension fund efficiently.

RECOMMENDATION

27. To note the progress made.

APPENDICES ATTACHED

28. Appendix 1: Data Improvement Plan success matrix, as at 22 October 2018.

BACKGROUND PAPERS

29. The Pensions Regulator's code of practice 14 Governance and administration of public service pension schemes.
http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx

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