

Appendix 1 - Data Issues arising from the 2016 pension fund valuation

This was the first Valuation of the Fund since the revised Local Government Pension Scheme was introduced in 2014.

Timeline of events

A planning meeting was held with representatives of Barnett Waddingham (BW) on 2 February 2016, in which the timescales for the submission of data and the production of Employer Valuation reports were discussed amongst other items (preparation note attached). The time-table shows that the employer results should have been available around the 11 November.

The date agreed for the submission of the data to BW was end of July. The valuation extract was sent via BWebstream (BW in house secure portal) on 29 July. BW identified an issue with the extract on 2 August and contacted the DCPF systems team with their concerns. The issue was raised with the software providers, a fix put in place and the extract was re-run. The Systems team were then asked for another extract of the Active and Dependant members by BW on 12 August and this was provided. Additional information also had to be provided as the new extract did not identify un-processed leavers held on the system.

According to the timetable data cleansing would take 7 days from date of submission, however the queries were not received back from the Actuary until 16 August, 10 working days albeit only 4 working days after the further Active and Dependant information was provided. There were c.12,000 queries (from 88,000 member records) that needed attention. These were categorised into the most important (Level 1 c. 3,000 errors – mostly missing data) and Level 2 (querying actual data provided) or Level 3 (observations on some of the data provided that was not critical for the valuation). This work was completed in 14 working days and sent back to the Actuary on 7 September. During this period there was a lot of email exchanges between the Fund and BW ensuring the focus was on the more critical errors – missing data – and understanding/discussing some of the estimates BW were intending to use.

The majority of the queries were eventually dealt with by 30 September.

The 2016 valuation data was also to be used for the first actuarial valuation of the whole LGPS for cost management purposes to be carried out by the Government Actuary's Department (GAD). All actuarial firms had to supply the final data they were going to use for the triennial valuation to GAD. GAD would also be carrying out their own data checks and so whereas in the past there may have been a higher level of data estimation, all the actuarial firms were keen to minimise this at this valuation given GAD's involvement.

As part of the valuation, BW were also to carry out a mortality study to better inform the assumptions to be used in the valuation. Once the data was cleaned up and the mortality work began an additional issue was identified. The initial results of the mortality study indicated that there was a cohort of historic pensioners where the number of deaths was significantly lighter than expected. On further investigation it transpired that their records had not been updated to record their death. A further data extract was therefore provided from the pensioner payroll system to identify who was still alive or dead. This also took some time to resolve as the payroll records also includes non LGPS pensions and so inevitably delayed the date when the data was signed off as sufficiently clean to satisfy actuarial data standards and in a state that hopefully would not raise further queries from GAD and allow the calculations to

begin. It was recognised that there were still a few employer issues that would need to be resolved but at the whole Fund level these were deemed not significant.

The calculations began at the beginning of November and initial results were reported by email on Wednesday 16 November with results documentation issued on Tuesday 22nd November and presented to Committee on Thursday 24th November. Results were reported within 2 weeks of the data sign off rather than the 3 week target turnaround.

Most of the individual employers' results were sent to the Fund on Tuesday 20 December and all individual employer results sent by Friday 20 January.

All 4 actuarial firms have reported that all Funds had valuation extract and data issues as there were problems with the new extract programs written by the software providers. The Dorset experience was not untypical of the experience elsewhere and inevitably the data issues meant that most valuation results were reported later than planned.

The main error was that was reported back for the Dorset Fund (and elsewhere) was 'missing care pay'. The main reasons for this was:

- Data submitted by Employer incorrect
- End of Year posting errors caused by inexperienced staff, especially when dealing with multiple member employments (Section restructured in January 2016 and Systems Team apart from the Systems Manager quite inexperienced)
- One Employer not updated at all c.500 Scheme members
- One Employer's data was so inaccurate it has taken until the beginning of February 2017 to cleanse the member records.
- Missing starters and leavers information – not provided throughout the valuation period by Employers
- Tricuro moves within the Fund – caused significant issue when trying to update records – c.3,000 member records to be looked at as information for these members came from 3 different payrolls (DCC, BBC, BoP)

Due to the number of errors, during August resources had to be diverted from the Technical Teams to clear them. Due to the normal everyday work pressures of 'business as usual' only a limited number of staff with the necessary knowledge required were available. At the same time the Systems Team had to work on producing the LGPS and Fire Annual Benefits statements. This was extremely important as statutory timescales needed to be adhered to and the ABS' had to be sent out by 31/8/2016. To ensure we reached these deadline some members of staff put themselves out to do overtime during the week and at weekends to ensure our obligations were fulfilled. Key staff also did not take any leave during this time. The Fire ABS' proved a significant challenge as this was the first year of the new Fire Scheme and the software providers had not been able to get the system right for this exercise and so the team had to manually intervene to meet the deadline.

The Valuation process has been reviewed and the following table shows the main areas that need improvement and the actions we are now taking.

Employer data (missing information)	<ul style="list-style-type: none">• ER and Comms to provide more training to those identified as providing poor data.
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	<ul style="list-style-type: none"> • Data improvement notices to be issued to poorly performing employers in line with the Pensions Administration Strategy • Highlight issues in the Employer Newsletter • Your Fund to be used by all employers before the next Valuation • Additional guidance on EoY process
Inexperienced Pensions Team staff	<ul style="list-style-type: none"> • Having identified the issues on the Systems Team a program of training is in place to bring staff up to date with the processes. • More experienced staff will be used to ensure the accuracy of the data being loaded to the member records.
Computer system/software	<ul style="list-style-type: none"> • Missing CARE data – the software providers are aware of the problem of identifying records that have missing CARE pay and have now provided a report that interrogates the member records and picks up those with the missing data • Your Fund/CMS system – improvement in information provided to employers on what data is held in the Altair system. We will run a report within Altair and provide a snap shot of the data held and put it in a pre-populated spreadsheet prior to year-end. This way the employers can check the data against their records thus putting the onus back on the employer to ensure that we hold correct data for their employees
Understanding of Error types	<ul style="list-style-type: none"> • Work with Actuary and software providers to gain a better understanding of the error types on the GAD specification.