



Date of Meeting: 12 September 2019

Lead Officer: Pensions Fund Administrator

Executive Summary:

This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund. It contains updates on the following:

- Data Quality – Annual Report & Review
- End of Year – Update
- Annual Benefit Illustrations 2019
- 2019 Valuation - Update
- Key Performance Indicators and work backlogs

Equalities Impact Assessment:

N/A

Budget:

N/A

Risk Assessment:

Having considered the risks associated with this decision, the level of risk has been identified as:

Current Risk: N/A

Residual Risk N/A

Other Implications:

N/A

Recommendation: It is recommended that the Committee note and comment on the contents of the report.

Reason for Recommendation:

To update the Committee on aspects of Pensions Administration

Appendices:

- Appendix 1 - DCPF Common Data Quality Reports
- Appendix 2 - DCPF Conditional Data Quality Report
- Appendix 3 – Data Improvement Plan
- Appendix 4 – Annual Benefit Illustration, (Active) 2019
- Appendix 5 – Annual Newsletter 2019
- Appendix 6 - KPIs (May 2019 – July 2019)

Background Papers:

- [LGPS Regulations 2013](#)

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1. Background

- 1.1. This report is the quarterly update for the Pension Fund Committee on all operational and administration matters relating to the Fund.

2. Data Quality – Annual Report and Review

- 2.1. Each year, the quality of our data is reviewed and measured. This serves two main purposes. Firstly, it feeds into the future year's Data Improvement Plan, (**Appendix 1**), and secondly it provides the Data Quality scores for the Dorset County Pension Fund which must be reported to The Pensions Regulator each year and recorded in the Fund's Annual Report.
- 2.2. The continuing diversification of the employer base, the increasing number of payroll providers and TUPE transfers, present the Fund with significant operational challenges in meeting the statutory record keeping requirements. A specific challenge for LGPS funds, is the large number of multiple and transient employments.
- 2.3. The 2019 Data Quality reports, for both 'Common' and 'Scheme Specific' data, are attached at **Appendix 2 and 3**. This provides a summary of data integrity as at July 2019 and gives a comparison with the position in August 2017 and September 2018. This shows an improvement in all areas tested.

2.4. Common Data – is the reporting items applicable to all pension schemes. The overall score of tests passed for common data held was 99.3%, an improvement over the 2018 rate of 99.2%. Seven of the eight categories met the highest benchmark of greater than 98% with three categories not recording a single failure. The one area not meeting the highest benchmark was member addresses held, which was 95.7%, however this is an improvement on the 2018 score of 94.5%. The general quality of data tested at Dorset is of a high standard.

2.4.1. Whilst the Fund has near perfect address data for active and pensioner members, the challenge is maintaining accurate addresses for deferred and frozen refund members. The Fund has paid a tracing company to assist us in locating many members who we could not trace, and this was a successful exercise with over 3000 deferred members traced, many of whom have registered for our on-line Member Self-Serve facility.

2.5. Scheme Specific Data, (sometimes known as ‘Conditional’ data) is the data specific to the LGPS. The overall score for scheme specific data was 98.1%, an improvement over the 2018 score of 97.7%. The percentage of member records without a single scheme specific data failure is 90.7%, which represents an improvement of 2.1% over the 2018 score of 88.8%.

2.6. This illustrates the continued work of the Fund to have a continued process of data cleansing and checking, and the close working relationship with employers to support them in providing accurate data in such a complex pension scheme. These results give confidence that the right benefits are being paid and that the 2019 Valuation results will be as accurate as possible.

3. 2019 End of Year Processes

3.1. The collection of data from the Fund’s 200+ employers is the single biggest annual exercise, and the most important as this is when the bulk of the Fund’s data is received. These annual returns not only provide the yearly CARE figure that enables the calculation of the pension accrual for that year, but it also provides a final salary figure for the Annual Benefit Illustrations, and a basis to check all membership data.

3.2. Because this is a Valuation year, and because of the increasing importance of data and strict timescales, employers were asked to provide their returns by 30 April, earlier than the usual 8 May deadline. Employers were also informed that financial penalties would be imposed where they had failed to inform the Fund of new members or scheme leavers. Several training sessions were offered as well as comprehensive guides to help them fulfil their data requirements.

3.3. I am pleased to report that the combined efforts of staff and employers has meant that this has been the Fund’s most successful year to date in terms of both data collection and quality. The team worked exceptionally hard through May and June and the processes were complete in record time. Improved data checking, and the use of a

new tool provided by Barnett Waddingham to validate data, all contributed to this outcome.

- 3.4. Most employers provided good data, but 19 provided data that was below the required level. These employers will shortly receive letters outlining the requirements of the Fund, the importance of good data, and issuing financial penalties based on key missing data items and/or late submission. These employers will be given the option to start monthly returns instead of paying the penalty.
- 3.5. The one exception to this is an employer who continues to provide exceptionally poor data year on year. This employer has been reported to The Pensions Regulator and has received financial penalties before. They have received a lot of support from the Fund and have previously agreed to submit monthly returns, although this has proved difficult for them. This employer will receive a further financial penalty and the Fund will be meeting with them to discuss the issues further.

4. Annual Benefit Illustrations

- 4.1. As a result of the early completion of the end of year process, the Annual Benefit Illustrations were issued to active members early this year on 7 August. The total issued was 23,616. An interesting demographic of the Fund is that 17,637 were sent to female members, and 5,979 to male scheme members
- 4.2. I am additionally pleased to report that the good quality data has resulted in the lowest ever number of issues raised. The illustration, and the annual newsletter have been very well received by members and there is no doubt that this increases understanding and engagement with members, which is vital to maintaining good membership levels and accurate data.
- 4.3. The illustration for 2019, and the annual newsletter, are attached at Appendix 4 and 5.
- 4.4. Members have been given the option to opt out of receiving a paper illustration in future years. Currently only a few members are interested in this option, as most benefit from, and appreciate, the annual communication as well as the on-line member portal.

5. Valuation 2019

- 5.1. The early completion of the end of year processes, and the very high quality of scheme data, has meant that the valuation data has been provided to our actuaries, Barnett Waddingham, at the earliest point ever. The Actuary has also confirmed that the data is of a very high standard. This is important for many reasons but does mean that confidence can be had in the Valuation outcomes and employer contribution levels set.

- 5.2. The current uncertainty about future LGPS benefits, mainly because as a result of the McCloud judgement and Cost Cap processes, which potentially will have a significant impact to the scheme, has left LGPS actuaries in a difficult position this year, unable to forecast accurately the benefits due to members.
- 5.3. The Scheme Advisory Board issued [guidance](#) to actuaries on behalf of LGPS Funds to ensure a unified approach to the 2019 Valuation outcomes. This guidance suggested the approach to be one based on the current scheme provisions, but with an element of prudence to accommodate future uncertainties.
- 5.4. It is hoped that provisional results will be received by November 2019.

6. Key Performance Indicators and work backlogs

- 6.1. The Key Performance (KPI) Indicators for the period 1 May 2019 to 31 July 2019 are attached at Appendix 6. This represents the ten key areas for the Fund but does not cover all work completed.
- 6.2. The KPI shows some areas falling below previous completion rates. However, this is in areas where the work is not as urgent, i.e. it has far less impact on members. This has been necessary to accommodate an increased workload, the end of year processes and internal changes to processes for refunds and deferred benefits.
- 6.3. The Aggregation backlog work is now nearly at an end, with only 128 cases remaining.

Aidan Dunn
Pension Fund Administrator
12 September 2019