

REPORT OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

EMPLOYER DATA AUDIT Pensions Committee 27th June 2017	Classification PUBLIC	Enclosures EXEMPT - One
	Ward(s) affected ALL	

1. INTRODUCTION

- 1.1 This report provides the Committee with the results of the updated employer data audit undertaken on behalf of the Fund by its benefits advisers, AON.

2. RECOMMENDATIONS

- 2.1 **The Pensions Committee is recommended to note the report.**

3. RELATED DECISIONS

- Pensions Committee 24th January 2017 – Pension Fund Risk Register
- Pensions 13th January 2016 – Pensions Administration Audits

4. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

- 4.1 Recent years have seen a significant increase in the complexity of administering the LGPS. The quality of data held by the Fund has deteriorated over the same period; the Fund wishes to regularly review employer data to ensure that long running issues are addressed and any new problems are dealt with early. The Fund's benefits advisers, AON, have therefore reviewed part of their original audit from 2015, passing their methodology on to officers of the Fund. Whilst the costs of such audits are not inconsequential, the financial and reputational risks if significant errors are not addressed far exceed any cost of audit.
- 4.2 Incorrect data held in the administration system could result in incorrect pension payments to members, whilst the supply of the same poor quality data to the Fund's actuary could result in over or understatement of the Fund's liabilities. This could lead to potentially significant increases in employers' contribution rates in the longer term. Additionally, there are a range of potential short term costs that could arise from holding incorrect data, including fines from the Pensions Regulator. The focus on holding accurate data has intensified over recent years and it is important for the Fund to review the quality of the data it holds and how it is being processed.

5. COMMENTS OF THE DIRECTOR, LEGAL

- 5.1 The Local Government Pension Scheme Regulations (2013) make clear that 'An administering authority is responsible for managing and administering the Scheme in relation to any person for which it is the appropriate administering authority under

these Regulations' (Regulation 53(2)). In addition Regulation 69 sets out the payments that employers are required to make to the Fund and the information that is required to accompany such payment (Regulation 69 (3)), whilst Regulations 22-29 describe the information that must be held by the Fund on behalf of each member.

5.2 The contents of this report and the exempt appendix help to demonstrate that the Council as the Administering Authority is fulfilling its responsibilities to manage the administration of the Pension Fund by undertaking an audit of the data supplied by employers. It is consistent with the responsibilities of this Committee to review the outcome of this audit and consider its findings.

5.3 There are no immediate legal implications arising from this report.

6. BACKGROUND/TEXT OF THE REPORT

6.1 Over the past 3 years, the Pension Fund has experienced a marked decline in the quality of data it holds. This can be attributed in part to the introduction of the 2014 scheme; the new scheme has increased the complexity of data collection whilst also increasing its importance. Additionally, the introduction of contractual and auto-enrolment has resulted in increasing numbers of enrolments and opt outs – both of which increase in the workload on employers and the Fund's administrators.

6.2 In 2015, the Fund's benefits consultants, AON, were asked to carry out an audit of the implementation of the 2014 scheme by Equiniti, the Fund's third party administrators, and a review of the data being supplied to the Fund by employers. The audit of the administration service highlighted a number of positive aspects along with some areas for improvement, whilst the review of employer data quality indicated that although there were some employers supplying data of good quality, there remained a number who struggled to meet deadlines and quality standards for the period under review.

6.3 Following the previous audit, the Fund has implemented new processes and worked with employers to improve the data supplied. Changes made include improvements to the review process when data is received, permitting timely and more in depth investigation of potential errors. The Fund is also continuing to work with Equiniti to improve the administration service; Equiniti's recent re-appointment as the Fund's administrator has provided a good opportunity to review this area.

6.4 Whilst some improvements have been made to the quality of data received, this area does remain a concern for the Fund. As such, AON were asked to revisit this element of the original review and share their methodology with officers of the Fund to allow the exercise to be repeated in house in the future. AON's updated review is contained within Appendix 1 to this report; this Appendix is exempt as it contains information with regards to various payroll providers that may be commercially sensitive.

6.5 In summary, the report highlights similar issues to those set out in the 2015 review although it does note that the average overall score has risen slightly, with the most notable increase being to the accuracy of employer contribution amounts. However, overall, data accuracy remains one of the poorest scoring criteria. The report therefore indicates a slight overall increase in the quality of data submitted, albeit with significant room for further improvement.

6.6 Key issues highlighted included:

- A handful of employers are failing to provide an annual return
- Most are providing a monthly return, although approximately 1/3rd do not provide this in a consistently timely manner. The same applies to payment of contributions. Charges are now levied where employers fail to provide either information or payment in a timely fashion.
- Many employers still score poorly on accuracy, with difficulties in reconciling contributions paid to pensionable pay. Annual returns are generally worse affected than the monthly reporting.
- A small number of providers are responsible for the provision of data for a large majority of the membership. Significant issues have previously been reported in connection with these providers, and this remains a significant risk.

6.7 Officers have not yet had the opportunity to discuss these results with individual payroll providers and employers; however, such an exercise is planned over the coming weeks. A number of the issues addressed in the report are being reviewed in line with the Council's payroll implementation project where they relate to the provision of data by the Council itself.

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Exempt Appendices

Appendix 1 - Employer Data Audit

That it is likely, in view of the nature of the business to be transacted, that were members of the public to be present, there would be disclosure of exempt information as defined in Schedule 12A to the Local Government Act 1972 as amended.

Specifically, publicity in respect of these items would be likely to lead to the disclosure of information relating to the financial or business affairs of a particular person (including the authority holding that information) and in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

If members of the public were present during consideration of this report, exempt information would be disclosed in under Paragraph 3 of Schedule 12A to the Local Government Act 1972 (as amended): "information relating to the financial or business affairs of any particular person (including the authority holding the information)". In

considering whether to exclude the public during the consideration of the exempt information in order that it is not disclosed, the Committee should have regard to whether the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

It is for the Committee to determine whether it is likely that exempt information would be disclosed and whether it is necessary to make a resolution to exclude the public from the meeting. The public does not have to be excluded in cases where exempt information would be disclosed. Any resolution to exclude the public must identify whether it applies to the whole or only part of the meeting and must state the description of the exempt information giving rise to exclusion of the public.