Hackney

Title of Report	Data Improvement Update
For Consideration By	Pensions Board
Meeting Date	22nd September 2022
Classification	Open
Ward(s) Affected	All
Group Director	Ian Williams, Group Director Finance & Corporate Resources

1. Introduction

1.1. This report provides the Board with an update on the Fund's ongoing project to improve both the quality of membership data and its timescales for issuing annual benefit statements (ABSs) to members. The report covers actions taken to help improve in the longer term the quality of data provided by the Council as an employer and to cleanse the data currently held on the pension administration system in relation to Hackney Council and schools' staff.

2. Recommendations

2.1. **The Pensions Board is recommended to:**

- Note the report

3. Related Decisions

3.1. None

4. Comments of the Group Director of Finance and Corporate Resources.

4.1. The standard of monthly and year end contribution data held by the Fund entered a period of decline from 2013 onwards, as the introduction of auto-enrolment and changes from the 2014 scheme made the provision of adequate data more challenging.

4.2. The financial implications of poor quality data for the Pension Fund are considerable; not only does it raise the risk that member benefits will not be calculated in accordance with scheme regulations, but could also reduce the accuracy of the Fund's actuarial valuation and lead to inefficient management of investment risks.

4.3. This could result in employers, including the Council, paying insufficient or excessive contributions with a material impact on their own finances. The involvement of the Pension Regulator (tPR) in this area also raises the risk of financial penalties and reputational damage.

4.4. There are costs associated with improving data quality, such as staff time and project management support. However, the costs of holding poor data, including additional administration costs and potential financial penalties far outweigh the costs of improvement.

5. **Comments of the Director of Legal, Democratic and Electoral Services**

5.1. The Pension Fund is required, under Section 4 of the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 to hold certain information about its members. Failure to maintain complete and accurate records could result in the Fund failing to pay benefits in accordance with scheme regulations, inefficient management of investment risk and potentially excessive or insufficient contribution rates for employers.

5.2. Failure to adhere to the overriding legal requirements could therefore impact on meeting the ongoing objectives of the Pension Fund. In addition, where scheme managers or pension boards fail to address poor standards and non-compliance with the law, tPR will consider undertaking further investigations and taking regulatory action, including issuing an enforcement action notice or imposing a substantial financial penalty against the Fund.

5.3. The role of the Pension Board is prescribed by Section 106 of the LGPS Regulations 2013 and includes the following: securing compliance with the Local Government Pension Scheme Regulations 2013 and any other legislation relating to the governance and administration of the Scheme and any connected scheme, securing compliance with any requirements imposed by the Pensions Regulator in relation to the Scheme and any connected scheme, ensuring the effective and efficient governance and administration of the Scheme and any connected scheme.

5.4. Taking into account the role of the Pension Board as set out in the Regulations, reviewing the progress made towards compliance with statutory

record-keeping requirements clearly falls within the remit of the Pension Board.

6. **Background to the Report**

6.1. Submitting good quality data to the Pension Fund has been an ongoing problem for the Council for a number of years. The increased complexity of the 2014 CARE scheme and the introduction of auto-enrolment have made the provision of accurate data more challenging; the quality of the data held by the Fund saw a sharp decline from 2013 onwards.

6.2. Poor data poses significant financial and reputational risks to both the Pension Fund and the Council itself. Clearly, inaccurate contribution data raises the risk that member benefits will be calculated incorrectly but could also reduce the accuracy of the Fund's actuarial valuation. This could result in employers, including the Council, paying insufficient or excessive contributions with a material impact on their own finances.

6.3. The issue has also affected the provision of information to scheme members. The Fund has a statutory duty to provide active and deferred members with an Annual Benefit Statement (ABS) by 31st August each year. Failure of employers to provide adequate membership data can delay the production of ABSs, breaching the Fund's statutory duty and necessitating a declaration to the Pensions Regulator.

6.4. The Pensions Regulator (tPR), has oversight of the governance and administration of local government pension funds. It has a number of regulatory tools at its disposal to help ensure the compliance of scheme managers with their statutory duties and obligations; these include improvement notices and financial penalties. The Fund has a legal requirement to report breaches of the law under section 70 of the Pensions Act 2004. The Fund has been required to make five consecutive reports to the Regulator concerning failure to issue annual benefit statements, raising the risk of financial penalties and reputational damage.

7. **Recent Developments**

7.1. During 2021 and 2022, staff from the Council's Pensions , ICT and Payroll teams have worked closely with Midland, the Council's payroll software provider and external consultant to develop an automated process to upload member data to Compedia, the Pensions Administration system. The monthly process went live during spring 2022. Significant work has also been carried out by Equiniti to cleanse the Fund's existing data and ensure that data from the new upload process is correctly imported.

7.2. The project has resulted in significant improvements to the quality of data

held by the Fund. The Fund was one of the first to submit data to its Actuary for the 2022 valuation process; this data has been reviewed by the Fund Actuary and, whilst some areas for improvement have been identified, the data is considered overall to be of good quality.

7.3.   Annual Benefit Statements for Active and Deferred members for 2021/22 have now been sent out; the vast majority of these were sent by the deadline of 31st August. Statements for 19 Active and 28 Deferred members could not be sent before the deadline; the remainder of statements required have been sent on time or can be legitimately excluded from the ABS process (for example, if no address can be found for the member after the FUnd's recent address tracing exercise).

7.4.   This represents a very significant improvement reactive to previous years; having reviewed the process, Fund officers do not consider that a report to the Pensions Regulator will be required.

7.5.   The quality of member data remains a key risk for the Fund, and this area will be kept under close review. A review of administration processes is currently being carried out by Aon, the Fund's benefits advisor and the Council's internal audit team are due to review the Council's new processes for data submission later in the autumn.

Appendices

None

Background documents

None

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