

**MEETING**

**PENSION FUND COMMITTEE**

**DATE AND TIME**

**TUESDAY 26TH MARCH, 2019**

**AT 7.00 PM**

**VENUE**

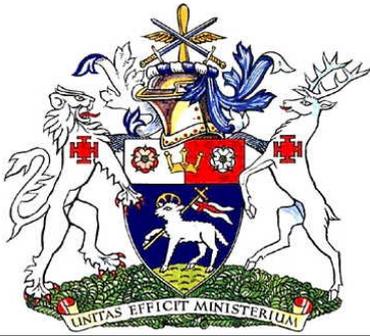
**HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4AX**

Dear Councillors,

Please find enclosed additional papers relating to the following items for the above mentioned meeting which were not available at the time of collation of the agenda.

Item No	Title of Report	Pages
8.	DATA QUALITY REPORT	3 - 10
9.	ADMITTED BODY AND BOND STATUS UPDATE	11 - 16

This page is intentionally left blank



## Pension Fund Committee

26 March 2019

<b>Title</b>	<b>Data Quality Report</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	Appendix A – Hymans Data Quality Report
<b>Officer Contact Details</b>	Gareth Hopkins, Pensions Consultant, London Borough of Barnet <a href="mailto:Gareth.Hopkins@barnet.gov.uk">Gareth.Hopkins@barnet.gov.uk</a> – 07446 148 537

### Summary

The Council commissioned Hymans Robertson to provide the Scheme Manager (i.e. the Council) with an update on the quality of data held by its Pensions Administrator (Capita). Hymans Robertson will present their findings to the Committee.

### Officer Recommendations

The Committee are asked to note the content of the Hymans Data Quality Report and the associated rectification plan (Appendix A).

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The report attached at Appendix A provides comments on the quality of data held by the Pensions Administrator.
- 1.2 The Council commissioned Hymans Robertson, the Scheme actuary, to provide the Scheme Manager with an update on the quality of membership data, which will be required for the upcoming 2019 triennial valuation.
- 1.3 The quality of membership data is central to the valuation process. Should the quality of data not be to the standard required by Hymans Robertson then there could be delays to the valuation process. Also, inaccurate member data held could result in erroneous benefit statements being issued.
- 1.4 The results show a significant number of 'critical errors' that the administrator will be required to address before actuarial calculations can begin.
- 1.5 The Council are holding Capita to account by monitoring progress using the Hymans 'portal' – this is effectively a third-party tool that will objectively measure progress. Capita will next upload data to the Hymans portal by the end of March, which will provide the Council with a progress update.
- 1.6 An oral update on timescales will be provided at the meeting.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 Not applicable.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Not applicable.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Not applicable.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 The Pension Committee supports the delivery of the Council's strategic objectives and priorities as expressed through the Corporate Plan 2015 – 2020 by assisting in maintaining the integrity of the pension Fund by monitoring the administration and compliance of the Fund.

### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 Not applicable in the context of this report.

### **5.3 Social Value**

5.3.1 Not applicable in the context of this report.

### **5.4 Legal and Constitutional References**

5.4.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is the London Borough of Barnet. The Public Service Pensions Act 2013 requires the Council to establish a Pension Board, whose role is to assist the Council in securing compliance with legislation, regulation and best practice, including as set out in the Pension Regulator's Code of Practice.

### **5.5 Risk Management**

5.5.1 Risk management is central to the LGPS. LGPS pension funds are in themselves risk management tools, managing the risk that future employer income streams will be able to meet future pensions liabilities by creating a reserve from which future liabilities will be met. Good governance is essential to managing the risks of the pension fund.

### **5.6 Equalities and Diversity**

5.6.1 Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation.

5.6.2 The rules governing admission to and participation in the Pension Fund are in keeping with the public sector equality duty. The Public Sector Equality Duty requires public authorities in carrying out their functions, to have due regard to the need to achieve the objectives set out under s149 of the Equality Act 2010. Good governance arrangements will benefit everyone who contributes to the fund.

### **5.7 Corporate Parenting**

5.7.1 Not applicable in the context of this report.

### **5.8 Consultation and Engagement**

5.8.1 Where relevant, consultation and engagement is discussed in the paper.

**6. BACKGROUND PAPERS**

6.1 None

## Data report as at December 2018

### Addressee

This paper has been commissioned by London Borough of Barnet Council in its capacity as Administering Authority to the London Borough of Barnet Pension Fund (“the Fund”). It has been prepared by Hymans Robertson LLP in our capacity as Actuary to the Fund.

### Purpose

This paper has been prepared in order to provide the Pensions Committee with an update on the quality of the membership data which will be required for the upcoming 2019 formal valuation of the Fund. We have based our comments on the data cleansing extract uploaded to the Data Portal by Capita Employee Benefits on 6 December 2018.

### Importance of clean data

The valuation process is critically dependent on the membership data provided. This is used to calculate the value of pension benefits due to every employee, as well as former employees, who participate in the Fund and ensure that adequate funds are set aside to pay for these benefits.

The contribution rates set for the three year period can be materially affected by the submission of incomplete or inaccurate membership data.

### Background to the data validations

Membership data for the formal valuation is required to be validated and submitted through our Data Portal tool in the form of the Universal Data Extract. The Data Portal carries out three types of checks, as follows, and reports any failures in the validations by member back to the user for updates or amendments as necessary before submission.

- **Critical error:** This type of validation will arise if required data fields are missing, or contain values that would prevent us from carrying out actuarial calculations.
- **Warnings (range):** This type of validation occurs when data items lie outside an expected range of values. A data item flagged as having this type of warning should be investigated and the data amended if found to be incorrect.
- **Warnings (inconsistencies):** This type of validation occurs when data items appear inconsistent with the data provided for the previous formal valuation. A data item flagged as having this type of warning should be investigated and the data amended if found to be incorrect.

### 2016 formal valuation and subsequent findings

At the 2016 formal valuation, the number of critical errors in the data in the first upload meant that the Fund chose to have Hymans Robertson make updates to the data as advised by Capita in the interests of time. The reason for this was Capita were able to supply updated data for some members which was held on spreadsheets or other records but not on the administration system itself. Please see our *Data Report for 2016 Valuation* dated 31 March 2017 for further details. Thereafter, we received no confirmation on whether or not the warnings highlighted in the data were investigated by the administration provider.

Our expectation is that the administration provider would have ensured that all updates provided to us in spreadsheets were subsequently made on their system to avoid the same errors simply reappearing in the 2019 valuation data when the time comes.

An updated extract uploaded to the Data Portal on 24 October 2017 contained a number of critical errors, including those which were in the 2016 formal valuation, and no subsequent action on these is evidenced on the Data Portal. Note this does not mean that remedial action was not taken by the administration provider. As such the Administering Authority may wish to ascertain what was achieved thereafter.

### Data cleanse upload of December 2018

The upload made on 6 December 2018 contained membership data as at 31 March 2018. The table below summarises the number of errors by category and member status observed in this upload. To give some context we have also shown the total number of records validated in each category.

Error type	Active	Deferred	Pensioner	Dependant	Frozen
Critical	6,642	286	497	228	0
Warnings (range)	15,041	7,497	1,670	150	430
Warnings (inconsistencies)	8,156	598	815	36	5
<i>Total number of records validated</i>	<i>11,962</i>	<i>10,472</i>	<i>7,650</i>	<i>1,126</i>	<i>1,154</i>

Note (i): some records will have more than one of each type of error, i.e. there are 6,642 critical errors in respect of approximately 3,000 active records out of 11,962

Note (ii): there has been a reduction in the number of errors appearing on the deferred and pensioner extracts since the 2016 valuation so remedial action by the administrator may have been taken on these records

The priority at this stage should be for the administrator to work on cleansing the records where critical errors are appearing. We have summarised the main actions for this by membership category below.

### Actives

As shown in the table, the majority of the critical errors that require addressing are in the active extract. These, in the main, fall into three key areas:

- **Salary information** (c. 2,000 errors) – c. 16% of active records have this error

The salary information on these records is more than one year out of date. The dates range from 2013 to 2017. When no up to date salary information is received from employers this can be an indication that the members have already left the scheme. We would suggest these records are queried and updated with recent salary information or processed as leavers where appropriate.

- **Accrued CARE pension pot data** (c. 1,800 errors) – c. 15% of active records have this error

These errors are occurring due to a zero, negative or out of date CARE pot figure appearing on the record even though the member is classed as currently active in the scheme. Similarly to the salary information, a lack of current CARE pot can be an indication of a leaver from the scheme. We would suggest these records are queried and updated with recent CARE pot data or processed as leavers.

- **Current member contribution rate** (c. 2,800 errors) – c. 23% of active records have this error

The records are missing the current member contribution rate which is a requirement for the valuation. We would expect this to be held on the member record to ensure that monitoring of the contributions being paid into the Fund can be carried out by the administrator. We require these records to be updated with the current contribution rate to allow us to value them as part of the valuation.

The remainder of the critical errors on the active extract are spread across a range of data items and are small individual record issues to be updated.

### Deferred

The critical errors on the deferred extract are mainly due to the date of last pension increase being missing from the record. This should be completed to ensure that we can value the pension with the appropriate revaluation amount applied.

### Pensioner

On the pensioner extract, the critical errors fall into three categories as follows:

- Basic details missing (c. 150 errors)

These records do not have a date of pension commencement or type of pension (e.g. normal, ill health, etc). We suggest each record is reviewed and this information recorded.

- Invalid record status (c. 220 errors)

The Universal Data Extract requires members to be coded into certain specified categories. These records have an invalid “member type”. This appears to be an issue with the extract written and should be reviewed with the Capita IT team.

- Last pension increase date (c. 100 errors)

The date is missing for these records but is required to correctly value the record at the valuation. These records should be checked and the date of the latest pension increase recorded.

### Dependant

There are two key areas of errors occurring in the dependant extract:

- Record status missing (c. 90 errors)

There is no current record status recorded on these records. This may be an indication that the dependant pension is no longer in payment. The record status should be reviewed and updated as appropriate.

- Last pension increase date (c. 100 errors)

The date is missing or a few years out of date for these records. These records should be checked and the date of the latest pension increase recorded. Note most of the records flagged by this validation are also flagged on the missing record status, again suggesting that these pensions are no longer in payment.

### Next steps

Our recommendation is that immediate action is taken by the administrator to address the critical errors that are appearing in the data. This information is required for the valuation and no calculations can proceed without it. We would then suggest that the warning validations are reviewed to ensure that the administrator is comfortable with the data as it stands.

By carrying out this work now the team will ensure that when the final valuation data is uploaded, only those errors attributable to the 2018/19 year will remain. This will help cut down the data cleanse period of the valuation.

Please note, at the 2016 valuation Hymans carried out a significant amount of data work to allow us to proceed with the valuation calculations. We will be unable professionally to do this again at 2019 as the out of date information in the data now spans at least a six year period.

We are happy to assist with the data cleansing exercise in advance of the valuation as required.

### Reliances and limitations

This document should not be released or otherwise disclosed to any third party without our prior consent, in which case it should be released in its entirety. Hymans Robertson LLP accepts no liability to any other party unless we have expressly accepted such liability.

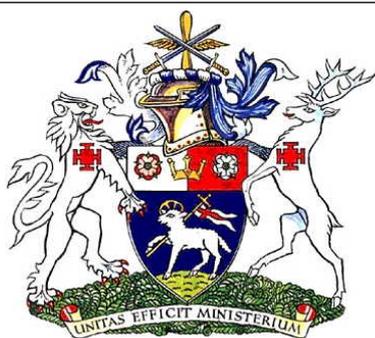
Any party must accept full responsibility for establishing that the advice in this paper is appropriate for the purpose to which they want to use it and any decisions that are taken based on its content. We cannot be held responsible for any losses sustained as a result of third parties relying on the information provided, or if the advice is used for any inappropriate purpose.

This paper is not an assessment of the overall data quality of the London Borough of Barnet Pension Fund but relates solely to the membership data requirements of the 2019 formal valuation.



Gemma Sefton FFA

For and on behalf of Hymans Robertson LLP



## Pension Fund Committee

26 March 2019

<b>Title</b>	<b>Admitted Body and Bond Status Update</b>
<b>Report of</b>	Director of Finance
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Urgent</b>	No
<b>Key</b>	No
<b>Enclosures</b>	None.
<b>Officer Contact Details</b>	Gareth Hopkins, Pensions Consultant, London Borough of Barnet <a href="mailto:Gareth.Hopkins@barnet.gov.uk">Gareth.Hopkins@barnet.gov.uk</a> 07446 148 537

### Summary

This report provides the Committee with a status update on the outstanding admitted body and bond agreements, as well as bond renewals and cessation calculations, that need arranging.

It has become apparent that work on the arrangements of admitted body and bond agreements, including bond renewals and cessation calculations, ceased c. mid-2017.

The Council has latterly been working with Capita to understand:

- The true number of admission and bond agreements that need arranging.
- Why the Pensions Administration team apparently ceased to arrange admission and bond agreements.
- Why the Council were not notified that Capita had apparently relinquished responsibility for arranging admission and bond agreements.
- Roles and responsibilities relating to the admission and bond agreement process.

In the meantime, the Council has been working with Capita, Hymans Robertson and HB Public Law to ensure outstanding admission and bond agreements are put in place.

### Officer Recommendations

**That the Committee to note the significant number of outstanding admitted body and bond agreements, including bond renewals and cessation calculations.**

## **1. WHY THIS REPORT IS NEEDED**

1.1 The Report is to update the Pensions Fund Committee on outstanding items in relation to:

- Admission Agreements
- Cessation Calculations
- Bonds and Bond Renewals

### **Admission Agreements**

1.2 The below employers are seeking to participate in the Local Government Pension Scheme. The Council is currently working with the employer, HB Public Law, and Hymans Robertson to arrange the admission agreements.

	<b>Employer</b>	<b>Contract Start Date</b>
A	Caterlink (Compton)	29/10/2018
B	Caterlink (Totteridge)	01/08/2017
C	Cambridge Education	01/04/2019
D	Churchill Catering (Queenswell School)	28/05/2016
E	Elior 1 (Archer Academy)	01/09/2017
F	Elior 2 (Copthall School)	01/09/2017
G	HCL	01/09/2018
H	Olive Dining	01/09/2018
I	St Andrew's C of E (Ashlyn's)	01/04/2017

1.3 We should note that the contract for both Elior 1 (Archer Academy) and Elior 2 (Copthall School) ended on 31/07/2018. As such, the Council are in the unusual position of arranging admitted body status for an employer that the local authority no longer has a commercial contract with.

### **Cessation**

1.4 When the last active member leaves the Local Government Pension Scheme a cessation valuation must be calculated. The Council's actuary, Hymans Robertson, calculates both assets and liabilities in relation to the Scheme Employer to understand if there is a surplus or deficit at the end of the contract.

1.5 Historically, any surplus is retained within the Fund. However, the Regulations covering cessations have recently been changed – any surplus must now be paid to the employer. Should a deficit be calculated then this, in some cases, would need to be recovered from the relevant Employer.

1.6 The Council is currently working with the relevant Employer, HB Public Law, and Hymans Robertson to arrange the below cessation calculations.

	<b>Employer</b>	<b>Contract End Date</b>
A	Absolutely Catering (1) Queenswell	27/05/2016

B	Elior 1 (Archer Academy)	31/08/2018
C	Elior 2 (Cophall School)	31/08/2018
D	GLL	31/12/2017
E	Housing 21	30/09/2015

### **Bonds and Bond Renewals**

- 1.7 The below table sets out the Scheme Employers that require a bond to be put in place.

	<b>Employer</b>	<b>Bond</b>	<b>Expired</b>
A	Caterlink (Compton)	New	
B	Caterlink (Totteridge)	New	
C	Cambridge Education	New	
D	Churchill Catering (Queenswell School)	New	
E	Elior 1 (Archer Academy)	New	
F	Elior 2 (Cophall School)	New	
G	HCL	New	
H	Olive Dining	New	
I	St Andrew's C of E (Ashlyn's)	New	
J	Absolutely Catering (2) St James' Catholic School	Renewal	01/01/2019
K	Beat Educational Arts Trust	Renewal	28/02/2016
L	Hestia (Domestic Violence Service)	Renewal	17/04/2019
M	Fremantle Trust (2)	Renewal	05/12/2018
N	Mears Group	Renewal	30/09/2017
O	NSL Limited	Renewal	30/04/2017
P	OSC Group	Renewal	31/05/2017
Q	Ridgecrest Cleaning	Renewal	30/09/2018
R	Servest (Henrietta Barnet School)	Renewal	01/11/2018
S	Viridian Housing	Renewal	16/08/2016

- 1.8 Bonds have been put in place in relation to Capita CSG and Capita RE – both expire on 24/11/2019.
- 1.9 An oral update on timescales will be provided at the meeting.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 There is no action required of the Committee.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

3.1 Not applicable.

#### **4. POST DECISION IMPLEMENTATION**

4.1 Once fit for purpose data has been submitted to Hymans Robertson, and the opening contribution rate and / or bond values have been calculated, the Council will work with HB Public Law to finalise the admission and / or bond agreements.

4.2 To manage expectations, we ask the Committee to note the significant number of historical admission agreements, bonds, and cessations valuations that need arranging (33). Such backlog requires significant resource, and will be dependent on Hymans Robertson and HB Public Law availability.

#### **5. IMPLICATIONS OF DECISION**

##### **5.1 Corporate Priorities and Performance**

5.1.1 To maintain the integrity of the Pension Fund by monitoring admitted body organisations and ensuring all third parties comply fully with admission agreements and bond requirements. This ensures that pension fund liabilities are covered by the responding admitted bodies; this in return protects Barnet's liabilities and supports the Council's corporate priorities as expressed through the Corporate Plan.

##### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 Not applicable.

##### **5.3 Social Value**

5.3.1 Membership of the Pension Fund ensures the long term financial health of the contributing employees on retirement.

##### **5.4 Legal and Constitutional References**

5.4.1 Schedule 2 of the Local Government Pension Scheme Regulations 2013 provide that a Local Authority, as an 'Administering Authority' for the Fund, may admit an organisation into the Local Government Pension Scheme, subject to that organisation, or the contractual arrangement between that organisation and the Council, meeting the criteria set out in the Regulations.

5.4.2 With respect to an admission agreement, the Regulations further provide for an assessment of the level of risk arising on premature termination of the provision of the service or assets because of insolvency, winding up or liquidation of the admission body. The assessment must be with the benefit of actuarial advice and, where the level of risk is such as to require it, the transferee admission body shall obtain an indemnity or bond to meet the level of risk identified.

##### **5.5 Risk Management**

5.5.1 The ongoing viability of the Pension Fund is dependent on acquiring assets that match the pension liabilities. All admitted bodies are subject to actuarial assessments and are reviewed to ensure compliance with admissions agreements and maintenance of appropriate employer contribution levels to mitigate against any risk to the financial viability of the pension fund.

5.5.2 There is a possibility of financial losses to the Pension Fund where arrangements around admitted bodies, bond agreements and contributions are not sufficiently robust. The Council have commissioned PWC to audit Capita by understanding existing processes and identifying key controls – this will provide the Council with a better understanding around how the Fund is being protected. The final report is expected to be ready by early May.

## 5.6 **Equalities and Diversity**

Pursuant to the Equalities Act 2010, the Council is under an obligation to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between persons who share a relevant 'protected characteristic' and those who do not share it; and fostering good relations between persons who share a relevant 'protected characteristic' and persons who do not share it. The 'protected characteristics' are: age, disability, gender reassignment, pregnancy, and maternity, race, religion or belief, sex and sexual orientation, marriage and civil partnership.

## 5.7 **Consultation and Engagement**

5.7.1 Not Applicable

## 5.8 **Insight**

5.8.1 Not applicable

## 6. **BACKGROUND PAPERS**

6.1 None

---

This page is intentionally left blank