

	<p style="text-align: center;">Local Pension Board</p> <p style="text-align: center;">19 June 2018</p>
<p style="text-align: right;">Title</p>	<p>Local Pension Board Performance Overview</p>
<p style="text-align: right;">Report of</p>	<p>Interim Assistant Chief Executive</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public</p>
<p style="text-align: right;">Urgent</p>	<p>No</p>
<p style="text-align: right;">Key</p>	<p>No</p>
<p style="text-align: right;">Enclosures</p>	<p>Appendix A - The CEB performance report for the period January – April</p> <p>Appendix B - Consolidated Plan</p> <p>Appendix C - Pensions Administration Risk Register</p> <p>Appendix D - Communications Strategy</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Natasha Edmunds Strategic HR Lead Natasha.edmunds@barnet.gov.uk</p>

Summary

This report provides an overview of the performance of Capita in administering the London Borough of Barnet Superannuation Scheme and invites the board to scrutinise particular aspects of performance, actions taken to improve the service through the improvement plan, as well as an update on progress to address the findings of the recent audit of Scheme administration.

The report makes a number of recommendations including adoption of the Scheme Communications Strategy.

Officers Recommendations

1.	That the board note the performance of Capita in relation to the administration of the fund and provide any comments as necessary
2.	That the Local Pension Board note the submission of Capita's performance for the period January – April 2018 as illustrated at Appendix A
3.	The Board are requested to note the revised approach to addressing service improvement through a consolidated plan
4.	That the board note the Communications Strategy for engagement with Scheme employers, Scheme members and other stakeholders
5.	The Board are requested to note the risks identified on the Pensions Administration Risk Register
6.	The Board are requested to advise the Committee of the importance of training for Board and Committee members and recommend that new members of the Committee who have not completed the Pensions Regulator's Toolkit do so as soon as possible.
7.	That the Local Pensions Board note/approve the risk register as highlighted in appendix C

1. WHY THIS REPORT IS NEEDED

- 1.1 Administration of the London Borough of Barnet Pension Fund is undertaken by Capita Employee Benefits (CEB). The Local Pension Board has a role in ensuring the effective and efficient governance and administration of the Pension Fund. This report is a covering report by officers providing an overview of the performance of CEB in undertaking pensions administration for the London Borough of Barnet Superannuation Scheme on behalf of the Scheme Manager.
- 1.2 Concerns with the performance of CEB in delivering an effective and efficient administration service have been identified by council officers, by the recent internal audit, and by The Pensions Regulator. The Board will be aware that The Pensions Regulator has been monitoring the performance of the London Borough of Barnet Superannuation Scheme since summer 2017 when it took enforcement action against the Scheme Manager for failing to submit the annual return in 2016 and the subsequent late issuing of annual benefit statements by the statutory due date. The Regulator remains concerned about the quality of scheme data and ability of the Scheme to issue accurate Annual Benefit Statements to scheme members by the statutory due date of 31 August. Council officers are, therefore, seeking the assistance of the Board in securing compliance of CEB with the regulatory framework and delivering improved performance of the service.

- 1.3 The CEB performance report for the period January to April 2018 is attached at Appendix A

2. REASONS FOR RECOMMENDATIONS

- 2.1 Following the Board meeting of 14th February 2018, where the Board expressed concern at the deterioration of performance in cases related to retirements and bereavements in particular, greater focus has been applied by CEB to these case groups. Whilst improvements are noted in both case groups, CEB recognise that further effort is required to improve performance in relation to retirements.
- 2.2 Root cause analysis has been undertaken in relation to retirements and this has identified a need for further engagement and education with employers where there is a lack of understanding about early notification of retirement to the Pensions Administration team of impending retirees, and in particular, those arising as a result of organisational change (i.e. redundancy which triggers early entitlement to pensions)
- 2.3 In order to address the challenge of employer understanding of their responsibilities, a number of actions have been undertaken and are planned throughout the course of the year. Notably, an employer forum took place on 15th March with the aim of educating and increasing understanding among employers of their responsibilities for the provision of data to the pensions administration team. Feedback from the event was positive although attendance by employers was low with only 7 employers out of 79 attending.
- 2.4 The information presented at the employer forum and the procedure manual were also emailed to all employers in the scheme following the employer forum in March.
- 2.5 A further employer forum is planned for late September 2018 and further effort will be made to increase attendance by employers at that event.
- 2.6 In addition, a procedure manual has been uploaded to the Council's website that employers and Scheme members can access and which outlines the data requirements and their associated timescales and has been issued to all scheme employers.
- 2.7 A number of other communication and engagement activities are outlined in the Communications Strategy which is on the agenda for discussion at this meeting. At its last meeting the Board identified the critical importance of communication and engagement with all Scheme stakeholders and it should be noted that the Regulator places a high degree of importance on engagement with Scheme stakeholders and employers in particular to aid

employer understanding of their responsibilities for the provision of accurate and timely scheme member data.

- 2.8 In the period since the last board, further work has been undertaken between LB Barnet officers and CEB on the various aspects of the improvement plan, most notably, the creation of a consolidated project plan that details all of the activities involved in pension administration throughout the scheme calendar year, including the detailed activities for year-end data collection and the issuing of annual benefits statements. In addition, the plan incorporates those areas of work that are specific projects outside of business as usual activity, namely data cleanse. The consolidated plan is attached at Appendix C.
- 2.9 The purpose behind the creation of the consolidated plan is to ensure increased clarity of activity for both officers and CEB and to enable tracking of dependencies and items on the critical path, with two key events being imminent which are outlined below. This means issues and risks can be more easily identified and addressed and mitigated where appropriate. The plan also contains a set of performance measures to track progress of specific improvement areas.
- 2.10 The consolidated plan is used in monthly performance monitoring meetings between LBB officers and CEB to ensure progress remains on track for key activities in the current and forthcoming periods.
- 2.11 Two key areas of activity are currently underway, namely, year-end data collection and the common data cleanse project.
 - 2.11.1 Year-end data collection is on track and employer compliance with the provision of year end data has shown an improvement on previous years. The deadline for submission of data was 30th April and, of 79 employers, 14 did not meet the deadline. The 14 employers represent 181 scheme members (out of a total of circa 27,000). Those employers have been referred to LBB so that officers can chase the employers on behalf of the scheme manager, whilst also outlining the actions available to the scheme manager in accordance with Administration Strategy. A verbal update on progress with the outstanding employers' data will be provided to the Board at the meeting. In addition, at its meeting of 26th February 2018, the Pensions Committee requested an update on employer compliance and it is recommended that the Board provide a copy of this report and the verbal update on employer compliance to the committee at its next meeting.
 - 2.11.2 The board will be aware that a key area of activity is the common data cleanse project. To recap, the pensions regulator has set a target for data quality of 95% for legacy data (records created pre June 2010) and 100% for all other records (records created from June 2010 onwards). When analysed in September 2017 it was identified that LBB scheme data falls well below the regulator's thresholds and, as a result, a common data cleanse project was initiated in January 2018. The project is on track to improve LBB scheme data quality by August 2018 to the regulator's targets.

A record keeping plan is now included in the consolidated plan (Appendix C) so that, having improved the quality of the data, the standards can be maintained throughout each scheme calendar year. The quality of scheme data is of critical importance in ensuring scheme members receive the correct benefits on retirement, but also to ensure that the scheme valuation is as accurate as it can be at each triennial valuation (next valuation due in 2019). It should also be noted that the better the scheme data, the better the customer experience for scheme members in relation all areas of work (e.g. pensions transfers in/out, retirements, bereavements, benefit estimate requests etc.).

- 2.12 The Board will note that the CEB report now includes information on breaches of law and these are now a regular feature of performance reporting. During the reporting period, six disclosure breaches have been logged but have been reviewed and classified as non-reportable as, when considered in the round, they are not of material significance. However, all breaches will be kept under review to ensure no materiality emerges through a cumulative impact of a recurring issue.
- 2.13 The Board have previously expressed concern about the number of cases in the backlog, and, in particular, those in excess of 12 months. A significant number of cases are reliant on information from third parties and are outside of the control of CEB to progress. Whilst some improvement is being seen in progressing cases in the backlog, further effort is required by CEB to focus on clearing those within their control. At the time of writing this report, officers are awaiting proposals from CEB on treating aged third party cases. It is anticipated that by the time of the Board meeting, proposals will have been reviewed and agreed between CEB and officers and therefore, a verbal update will be provided to Board members on actions being taken and the impact on the backlog.
- 2.14 At the last meeting of the Board on 14th February 2018, the Board were advised of an internal audit commissioned by officers on administration of the LBB scheme that gave limited assurance. Of the 24 findings, 14 have been fully implemented, 6 have been partially implemented, 2 are on track against their delivery timescales, and the final 2 have been superseded. Progress on implementing the agreed actions continues to be monitored at the monthly pensions performance meetings between CEB and officers and a further review by internal audit is planned in the next few months.
- 2.15 The Scheme Manager remains under scrutiny by the Pensions Regulator and regular meetings are taking place with officers and the regulator's case manager. At the time of writing, a meeting is scheduled with the regulator and a verbal update on the outcome of that meeting will be provided to the Board at its meeting of 19 June.
- 2.16 The current performance levels of the pension administration service remain below the expectations of the Scheme Manager and of the Pensions Regulator. A significant amount of work is now underway to address the key issues previously highlighted to the Board and close monitoring of

service improvement continues. Specific risks have been identified and recorded in relation to data quality. The Board are requested to note the risks and mitigating actions in the risk register at Appendix D.

- 2.17 A key area of concern for the Regulator is ensuring that both Board and Committee members have an appropriate level of skill and knowledge of all aspects of the regulatory framework governing Local Government Pensions Schemes including the specific roles and responsibilities in relation to governance exercised by the Board and the Committee. At its meeting in February 2018 the Board confirmed completion of the Regulator's Public Service Toolkit and attended training in January 2018. In view of recent elections and changes to the membership of the Committee the Board are asked to remind the Committee of the importance of attendance at training events and completion of the Public Service Toolkit.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The Local Pension Board have, to date, regularly received performance data for consideration from CEB. LB Barnet Officers do not think that it is appropriate, in the current circumstances that the Board receives a submission presented by CEB, and therefore that approach is not recommended at this time.

4. POST DECISION IMPLEMENTATION

none

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

The Local Pension Board supports delivery of 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)

None

5.3 Social Value

5.4 None

5.5 Legal and Constitutional References

- 5.5.1 The LGPS Regulations 2013 place responsibility for the local administration of pensions and other benefits under these Regulations on the administering authority, which is LB Barnet. The Local Government Pension Scheme Regulations Regulations 2015 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.

5.6 Risk Management

- 5.6.1 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.

5.7 Equalities and Diversity

- 5.7.1 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.

5.8 Consultation and Engagement

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

6. BACKGROUND PAPERS

6.1 The Pension Regulators Code of Practice

<http://www.thepensionsregulator.gov.uk/codes/code-governance-administration-public-service-pension-schemes.aspx>

6.2 Local Pension Board, Terms of Reference:

[Appendix A – Terms of Reference for Local Pension Board – Amended , item 8. PDF 121 KB](#)

6.3 Local Pension Board Meeting – 29 November 2018 meeting:

6.4 <https://barnetintranet.moderngov.co.uk/ieListDocuments.aspx?CId=753&MId=9339&Ver=4>