

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
|  | <p>Pension Fund Committee</p> <p>9 September 2019</p> |
| <p>Title</p> | <p>TPR Improvement Notice</p> |
| <p>Report of</p> | <p>Director of Finance</p> |
| <p>Wards</p> | <p>N/A</p> |
| <p>Status</p> | <p>Public</p> |
| <p>Urgent</p> | <p>No</p> |
| <p>Key</p> | <p>No</p> |
| <p>Enclosures</p> | <p>Appendix 1 – LB Barnet TPR response with appendices A, B, C and D.</p> |
| <p>Officer Contact Details</p> | <p>Nigel Keogh, Interim Pensions Manager Nigel.Keogh@barnet.gov.uk 07505074979</p> |
| <p>Summary</p> | |
| <p>Further to the Improvement Notice issued by The Pensions Regulator (TPR) on 25 July 2019 to London Borough of Barnet to address weaknesses in the processes and controls within the administration of the Barnet Pension Fund. This paper discusses the areas of improvement and actions taken to respond to the Notice.</p> | |
| <p>Recommendations</p> | |
| <p>The Pension Fund Committee is asked to note the content of the response and the actions taken to comply with the Notice and the verbal update from officers.</p> | |

1. WHY THIS REPORT IS NEEDED

- 1.1 On 25 July 2019, TPR issued LBB with an Improvement Notice, which stipulated improvements in three main areas by the 31 August 2019.
- 1.2 The Council did not appeal against the issue of the Notice.

Required Improvements

- 1.3 The steps required by TPR to comply with the draft Improvement Notice are set out in appendix 1. These are:
- (1) The Scheme Manager must by **31 August 2019** have implemented monthly monitoring of contributions and be able to demonstrate that an analytical review is being undertaken in line with the actions agreed in the March 2019 Internal Audit Report carried out by the Fund (the Report). **By this date** the Scheme Manager must have demonstrated to TPR that it has implemented a series of checks on the data received in End of Year Certificates, in line with the agreed action in the March 2019 Internal Audit Report, and that the checks have been carried out. These actions relate to parts 1 b and 1 d of the Report (appendix 2).
 - (2) The Scheme Manager must by **31 August 2019** take all steps necessary to ensure it has completed the first two phases of the Conditional Data Cleanse Plan it provided to TPR on 4 January 2019.
 - (3) The Scheme Manager must by **31 August 2019** have taken all steps necessary to implement and operate adequate internal controls to provide accurate annual benefit statements for financial year 2018/19. This will be evidenced by the Scheme Manager demonstrating that a process is in place to test the quality of calculations used to populate annual benefit statements; that the process was utilised; and that corrections were made where calculation errors were identified. This also relates to action 6b of the March 2019 Report.

Action Plan

- 1.4 Since the LBB received the draft Warning Notice of an Improvement Notice being issued on 16 May 2019, the required actions set out by TPR have been the subject of discussions, planning and action by and between the Council and Capita. Council officers have been meeting with the Capita administration (including on site at Darlington) to work through the various action plans with additional regular meetings at senior management level.
- 1.5 The work undertaken so far and the outcomes achieved are summarised below and set out in more detail in the attached update letter (and associated appendices) to TPR, and we are hopeful that on receiving the letter, that TPR will recognise that genuine and sustained efforts are being made to improve the service.

- 1.6 With regard to 1.3(1) above, an enhanced contribution monitoring process is now in place with detailed returns to Capita from scheme employers being received on a monthly basis. These returns reflect the following;
- Confirmation of outstanding contributions by exception (by Employer for current and previous months)
 - Late paying Employers where contributions have been received but not by due date
 - Outstanding Contribution Breakdown slips
 - Monthly contribution materiality and variance analysis which includes individual member volumes and Employer Pensionable Pay data

All employers are now compliant with the first two bullet points and as at the end of the July reporting period, 95% of employers covering 96% of contributing members were fully-compliant. Capita and Barnet officers are continuing to work with the remaining employers to ensure 100% compliance.

- 1.7 With regard to 1.3(2) above, as at 22 August 2019, all of the amber and the majority of the red rated errors that emerged from the conditional data check performed in March 2018 (previously reported to TPR in January 2019) have been investigated and subsequently corrected or otherwise resolved. Work is continuing to resolve the remaining errors. In addition, in response to recommendation 1e in the March 2019 Internal Audit Report (Pensions Administration follow-up review) the member data set from the End of Year Returns as at 31 March 2019 has been subject to extensive scrutiny prior to its submission to the scheme actuary for the purposes of the 2019 triennial valuation to ensure that all data fields were completed in full by employers and missing data promptly chased and gathered. The final, complete data upload was submitted on 6 August 2019, and revealed 38 critical errors, which have since been addressed.
- 1.8 With regard to 1.3(3) above, the production of the 2019 Annual Benefit Statements has been monitored against a detailed project plan which allowed for increased sample checking of the accuracy of the statements, and enhanced, detailed sample testing undertaken by LGPS technical specialists. The outcome of the above checking confirmed that no systemic errors in the production process were found, other than those isolated errors identified as a consequence of the checking process, and which have now been corrected. 930 annual benefit statements in respect of deferred members (8.6% of the deferred member population) whose cases were in progress at the time the ABS data was extracted were withdrawn. Each of these members will receive a statement as their cases are resolved – this process will be completed by the end of December. With the exception of the above, benefit statements will be despatched to all members due to receive a statement by the statutory deadline.
- 1.9 Two further matters of note were included in the letter to The Pensions Regulator. The first of these concerned the discovery of a population of 1880 deferred members whose Normal Pension Age (NPA) was incorrectly held on

the administration system, as they were entitled to a retirement age earlier than NPA under the “Rule of 25”. This had come to light following queries from affected members. The records for the affected members were corrected in April 2019. Ongoing queries from affected members are being dealt with on an individual basis and all affected members will be contacted in the next few months.

1.10 The other matter concerned the service remediation plan which has now been put into place regarding the administration service provided by Capita. The plan covers a wide range of initiatives, including:

- A backlog reduction plan aimed at eliminating the overdue actionable casework by the end of December 2019, and a plan to obtain the necessary data to bring currently non-actionable cases into a workable position
- Annual independent controls assurance reviews to be undertaken to AAF01/06 standards
- Enhanced staff training, awareness and education regarding the Barnet Pension Fund, including incentivisation to undertake professional qualifications
- Improved data integrity delivered through monthly employer data capture and reconciliation
- Enhanced monthly performance reporting
- Improved resource planning and caseload management
- Improved back office and front office co-ordination on call-handling

Barnet officers are monitoring progress against the plan on a fortnightly basis, with weekly monitoring of the backlog reduction also in place.

1.11 Irrespective of the above plan, it was noted at the last meeting that the Pension Fund Committee requests that the Policy and Resources Committee are provided with a detailed options paper on alternative delivery options at the next meeting of that committee. Such a paper is being drafted in response to the instruction to the Director of Finance to put appropriate measures in place to enable alternative service provision arrangements to be made for Pensions Administration, should the need arise, with a view to bringing a further report to Policy and Resources Committee in due course (<https://barnet.moderngov.co.uk/documents/s52969/Review%20of%20Capita%20Contracts.pdf> refers). The timing of the delivery of this paper will be contingent upon whether The Pensions Regulator believes that sufficient progress has been made with the regard to the matters set out in the Improvement Notice, and whether the service improves as Capita deliver on the commitments set out in the remediation plan.

1.12 Officers will be communicating further with TPR during the autumn to report on the outcome of the Annual Benefit Statement exercise, the scheme actuary’s assessment of the data for the 2019 valuation, and progress on the reduction of the casework backlog and issuing of the remaining Annual Benefit Statements.

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 Not applicable.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

5.1.1 The Committee supports the delivery of the Council's strategic objectives and priorities as expressed through the Corporate Plan, 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 The work identified above is being done within existing resources.

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 Local Government Pension Scheme 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.

5.4.2 The Council's Constitution – Article 7 – includes within it the responsibilities of the Pension Fund Committee. It is therefore considered appropriate for the Pension Fund Committee to receive this report.

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

Pursuant to the Equality 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, sexual orientation and marriage and civil partnership.

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.

5.9 Insight

5.9.1 Not applicable in the context of this report.

6 BACKGROUND PAPERS

6.1

<https://barnet.moderngov.co.uk/documents/s54728/Regulatory%20Intervention.pdf>