

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.

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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.



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For and on behalf of Hymans Robertson LLP