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Your reference: C98061965

29 August 2019

Dear Michael

**Local Government Pension Scheme (LGPS) -London Borough of Barnet  
Superannuation Fund PSR 10123044 (the Fund)**

I am writing further to my letter to you dated 31 May 2019 and with reference to the Improvement Notice enclosed with your letter of 25 July 2019.

I am pleased to report that we have made substantial progress in addressing the issues raised in the Improvement Notice and I am writing to you to advise you of the approach we have taken, the progress we have made to date and to outline the further steps we are taking to continue to address these issues, and more generally improve the service to our pension fund members going forward.

I will include the wording contained in the Improvement Notice for each step in turn, followed by my commentary:

**Step 1a**

“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).”

In response to recommendation 1d in the March 2019 Internal Audit Report (Pensions Administration follow-up review), 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.

By way of evidence (Appendix A), a copy of the contribution monitoring report in respect of the month of July is attached, along with a copy of the new employer reporting template and the revised process notes used at Capita.

### **Step 1b**

**“By this date (31 August 2019)** 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.”

With specific reference to the March 2019 Internal Audit Report, to which Step 1b above refers, the actions relating to the data checks conducted on End of Year Returns are detailed in Step 2.

### **Step 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.”

Please find at Appendix B a status update on the Conditional Data Cleanse Plan first provided to TPR on 4 January 2019. As you can see from Appendix B, 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 have been investigated and subsequently corrected or otherwise resolved. Work is continuing to resolve the remaining errors.

In addition, earlier this year an issue was identified with 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. We will write to you with a detailed plan which explains how we will be communicating with impacted members as well as how we plan to make good any member detriment.

Corrections to individual members’ CARE records have also been made as a result of the enhanced testing of deferred member records by the Capita Technical team, together with some adjustment to mapping rules at member level to ensure accurate mapping of data fields to the Annual Benefit Statement (ABS) template (see report at Appendix C). These activities have further enhanced the quality of the data and the integrity of ABS production.

Furthermore, 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.

As at the time of writing, we are still chasing one End of Year Return from 1 employer, affecting 2 members.

The final, complete data upload was submitted on 6 August 2019, and revealed 38 critical errors, which have since been addressed.

The actuary is now engaging in further data integrity work, including reconciling fund financial records to membership data, and once that work is complete, we will report the outcome to you.

In our continued efforts to improve the quality of scheme data, Capita have produced a wider service remediation plan (Appendix D), which incorporates a further conditional data check (which is planned to be run by the end of September as a precursor to the submission of conditional data scores as part of the annual scheme return in October).

### **Step 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.”

As set out in our letter of 31 May 2019, 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 is set out in detail in Appendix C, but in summary we can confirm that no systemic errors in the production process were found, other than those identified above and in Appendix C. All of these errors as noted above have now been corrected.

930 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. We will keep you informed of progress.

In addition, there are 272 members held with deferred status who have passed their normal pension age and are not entitled to defer their pension benefits beyond their normal pension age. These members did not therefore receive an annual benefit statement but will be contacted and invited to take their benefits.

These members are included in the total of 1880 members referred to above, whose Normal Pension Age had not been recorded correctly on the administration system under the “Rule of 25”.

We can confirm that, with the exception of the above, benefit statements will be despatched to all members due to receive a statement by the statutory deadline.

As mentioned in our letter of 31 May 2019 once the Statements have been issued, any queries received from members will be recorded, investigated and the outcomes of this process communicated to you in the autumn.

## **Further improvements**

Over the last few months, we have been working with Capita to implement a remediation plan covering not only the matters referred to above but also longer-term service improvements including:

- A revised process for the handling of employer admissions, bond renewals and cessation valuations (now implemented)
- A backlog reduction plan aimed at eliminating the overdue actionable casework by the end of December 2019, and we will provide you with a progress update as at the end of October 2019, and set out our 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

A copy of the plan in full is at Appendix D.

As noted in our letter of 31 May 2019, we recognise that our monitoring of the outsourced arrangements with Capita and the discharge of our wider responsibilities as Scheme Manager have been poorly resourced in previous years. In addition to the interim Pension Manager appointed in May 2019, we have supplemented this appointment with an interim Pensions Operations Manager with over 20 years' experience in the Local Government Pension Scheme, whose primary focus will be on working with Capita to improve operational processes. We are also now in the final stages of appointing a permanent Pensions Manager. Capita have also recognised the need to further strengthen their oversight and control and have appointed a dedicated Senior Operations Manager, with significant pensions experience, to help drive remediation activities, process efficiencies and ultimately delivery of a more positive member experience.

## **Other Matters**

*This section has been redacted. It relates to an incident that is subject to ongoing legal proceedings and will be reported to the Committee, together with the actions taken, as soon as these proceedings have been concluded.*

Once again, please be assured that we fully recognise the shortcomings you have highlighted in the Improvement Notice, and I trust that the progress to date outlined above demonstrates that we, and Capita, are fully committed to resolving those issues, and more generally improving the service to our members across the board through the remediation plan.

Yours etc

## **Enclosures**

## **Appendix A**

July contributions monitoring report  
Contributions monitoring process notes  
Monthly employer return template

## **Appendix B**

Conditional Data Cleanse Plan Status Update

## **Appendix C**

ABS checking report

## **Appendix D**

Remediation Plan

## **Appendix E**

Incident controls review and recommendations report (*withheld until legal proceedings are concluded*)