



Pension Fund Committee

Title	Administration and Data Update Report
Date of meeting	4 July 2023
Report of	Executive Director of Strategy & Resources (S151 officer)
Wards	N/A
Status	Public
Urgent	No
Appendices	None
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Summary

This report provides the Pension Fund Committee with an update on the current administration performance by West Yorkshire Pension Fund (WYPF), along with other issues affecting the administration and an update on the data improvement plan and historical leaver exercise.

The report also details the work undertaken by the LBB Pensions Team in trying to determine the cause of the £50m data experience item detailed in the 2022 valuation report.

Recommendations

1. That the Pension Fund Committee note the current performance levels and updates on the data improvement plan and historical leaver exercise.
2. That the Pension Fund Committee note that actions already taken by the LBB Pensions Team to determine the cause of the £50m data experience issue and the further measures being taken.

1. Reasons for the Recommendations

- 1.1 The efficient delivery of benefits is reliant upon effective administrative procedures being in place, along with the presence of quality data.

WYPF Performance

- 1.2 In May, WYPF processed **870** cases with **91.2%** cases being completed within the agreed Key Performance Indicators (KPIs) targets. WYPF performance has improved over the last few months, with the 90% target threshold being met. The LBB Pensions Team (“the Pensions Team”) hope that this will improve to around 95% over the next few months as the staff recruited recently by WYPF are fully trained and integrated within WYPF.
- 1.3 The Local Pensions Board were updated on administration performance at their meeting on 28 June. WYPF had been recruiting a large number of staff, which has been completed and now these new recruits have been training, performance should continue to move towards the 95% threshold. The LBB Pensions Team is monitoring WYPF performance closely to ensure that performance.
- 1.4 WYPF work in progress levels remain high, as of the end of May, there were over **2,200** outstanding items of work.
- 1.5 The number of complaints and Internal Dispute Resolution Procedure (IDRP) cases received remains very low. There is currently one stage 1 IDRP case in progress and no stage 2 cases. A complaint from The Pensions Ombudsman (TPO) has recently been received by the Pensions Team.
- 1.6 WYPF (in conjunction with the LBB Pensions Team) will be issuing a Member Newsletter, hopefully before the end of June. A copy of this newsletter will be sent to members of the Committee for their information.

Annual Benefit Statements (ABS's)

- 1.7 WYPF have started to produce both the 2023 Annual Benefit Statements (ABSs) for active members and Deferred Benefit Statements (DBSs) for deferred members. As of 5 June, **85%** of ABSs had been produced and **99.8%** of DBSs.
- 1.8 For the remaining statements that need to be issued, WYPF are working with employers to ensure that these statements are issued by the statutory deadline of 31 August.

Data Improvement Plan

- 1.9 WYPF continue to provide monthly data quality update reports to the Pensions Team showing progress in updating data issues.
- 1.10 Initially, there were **c28,500** data items that needed to be reviewed and updated. As of 2 June, this number had reduced to **c6,750**.
- 1.11 WYPF had previously identified ten areas of data with the largest number of issues that need correcting, and it was agreed with the Pensions Team which of these areas would be worked on first. Two of the ten areas of data have been completed.

- 1.12 WYPF do not anticipate that the next area of work will be completed until the end of August with the fourth data area starting towards the end of the year. These two data areas account for c3,000 of the remaining data items that need correcting.
- 1.13 WYPF also provide updates on both common and conditional data scores. These figures show the presence of data held on members' records. Common data points are needed so that a member can be uniquely identified, such as date of birth and address. Conditional data is used to calculate the member benefits, such as salary and service information.
- 1.14 These data scores are a method for measuring quantity of data and are reported to The Pensions Regulator (TPR) in the Scheme Return. The TPR has targets for common data but not for conditional data.
- 1.15 The common data score for May 2023 was **96.58%** which is above the TPR target. For conditional data, the score was **86.94%**, which has increased significantly since the beginning of the year due to the two areas of data being completed. The target is to get this number to 90% or above by the end of next March at the latest, which is why the Pensions Team and WYPF are focussing on correcting the data issues still outstanding.

Historical Leavers

- 1.16 WYPF initially inherited **c1,500** "historic leavers". Following the work undertaken by WYPF in the 2021 Annual Benefit Statement (ABS) process, this number increased to **c1,950**.
- 1.17 As of 2 June, this number had reduced to **452**, of which **241** are leavers who left before 1 November 2020 when WYPF took over the administration of the Fund.
- 1.18 The Pensions Team have recently contacted employers and their payroll providers again where historic leaver forms are still outstanding. This is having some effect, but we have warned both employers and their payroll providers that if any historic leavers are still outstanding by the end of June, we will start to issue fines for non-compliance with the Administration Strategy and will also submit a report to TPR.
- 1.19 The Pensions Team continue to work with the council's payroll provider to get the Council's historic leavers processed. The number has now reduced to **185** but these leavers tend to be more complex and are spending more time checking salary and service data before the forms can be submitted to WYPF.

Data for the 2022 triennial valuation

- 1.20 At previous meetings, the Committee were advised of the large data experience item of c£50m, in the valuation report which the Pensions Team were investigating.
- 1.21 The Pensions Team have been attempting to find the reason for this discrepancy. This will help assist in the data improvement plan project (and subsequently for the calculation of members benefits) and to ensure that this discrepancy does not occur again in the 2025 valuation.
- 1.22 The investigations have involved the Pensions Team reconciling the data used in the 2019 valuation against the 2022 data. This involved:
- Comparing the monetary and percentage differences between the salary used in 2019 and 2022 valuations.

- Checking the monetary and percentage differences between the pensions calculated for the 2019 and 2022 valuations.
- Applying assumed salary increases and actual pension increases to the 2019 data to check if the 2022 data is what would be expected.
- Looking at the membership splits (active members, deferred members and pensioners) between 2019 and 2022 to determine any significant differences. This work is still ongoing.

1.23 This analysis has not identified any systemic issues with the data provided in 2019 and the data used in 2022.

Pensions Dashboard

1.24 The Department for Work and Pensions (DWP) announced a delay to the Pensions Dashboard Programme in March, which was described as a “reset”.

1.25 On 8 June, the DWP confirmed that new regulations were being laid before Parliament which provides for a new approach to delivery of the Dashboard project, that allows the Government to work more collaboratively with the pensions industry.

1.26 Rather than setting out the entire staging timeline in legislation, the regulations confirm that this will now be set out in the form of “guidance” which should be agreed with the pension industry by the end of the year. The Government has set an ultimate deadline of 31 October 2026, although it is hoped that dashboards will be accessible to the public earlier than this.

“McCloud” ruling

1.27 The McCloud remedy regulations, that would extend the Local Government Pension Scheme (LGPS) statutory underpin protection to younger members of the Fund, are expected to be published in September 2023 with a regulatory live date from October 2023.

1.28 WYPF are working with their system provider to ensure that the calculations have been programmed and are ready for the anticipated live date.

1.29 The Pensions Team will continue to update the Committee on both the Pensions Dashboard and the “McCloud” ruling at future meetings.

2. Alternative Options Considered and Not Recommended

2.1 Not applicable in the context of this report.

3. Post Decision Implementation

3.1 Not applicable in the context of this report.

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

- 4.1 The Pension Fund Committee supports the delivery of the Council’s strategic objectives and priorities as expressed through the Corporate Plan, by careful monitoring of the Pension Fund activities with a view to ensuring the overall sustainability of the Pension Fund.
- 4.2 Sustainability of the Pension Fund is a crucial pillar in allowing the council to fulfil its wider objectives.
- 4.3 The Pension Fund is also developing its NetZero and Stewardship policies which feed into the wider objectives around Planet, Places and People.

Corporate Performance / Outcome Measures

- 4.4 Not applicable in the context of this report.

Sustainability

- 4.5 Not applicable in the context of this report.

Corporate Parenting

- 4.6 Not applicable in the context of this report.

Risk Management

- 4.7 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.

Insight

- 4.8 Not applicable in the context of this report.

Social Value

- 4.9 Not applicable in the context of this report.

5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

- 5.1 Risks that are not mitigated or managed can have a financial penalty to the Fund.

6. Legal Implications and Constitution References

- 6.1 Legal Implications and Constitution References
- 6.2 Government Guidance around the pooling requirements is linked in the body of this report.
- 6.3 The Council’s Constitution – Part 2B section 15 includes within it the responsibilities of the Pension Fund Committee.

7. Consultation

- 7.1 Not applicable in the context of this report.

8. Equalities and Diversity

- 8.1 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, marriage and civil partnership.
- 8.2 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.

9. Background Papers

- 9.1 None