

Pensions Audit Sub-Committee

10am, Friday, 20 September 2013

Pensions Administration Data Quality

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Executive summary

Pensions Administration Data Quality

Summary

The purpose of this report is to inform Committee of the ongoing work to enhance the quality of pension administration membership record data.

Importance of good scheme administration

“Getting the administration correct is central to any pension arrangement – member benefits are placed at risk where records or data have not been properly maintained. Inaccurate and missing data can have serious cost implications for schemes, and ultimately members, so it is important that errors are corrected as quickly as possible.”
- The Pensions Regulator, February 2011.

Aside from more obvious additional costs in areas such as error correction, compensation claims from members, poor record-keeping could potentially necessitate more conservative actuarial assumptions as well as causing reputational damage. Lothian Pension Fund, therefore, places a high importance on the quality of its pension administration data. The information demands of accurate record-keeping are also expected to increase with the introduction of a scheme based on career average revalued earnings (CARE) in 2015.

The Pensions Regulator “Guidance on Record-keeping” This guidance, introduced in 2010, set out proposals that represent good practice in helping to assess risks associated with member record-keeping. It described an approach for measuring the presence of member data items important to the administration of a pension scheme. Lothian Pension Fund has voluntarily targeted attainment of these standards as a minimum and publishes its performance in its Annual Report. As at 31 March 2013, the Fund met or exceeded the respective targets for common, conditional and numerical data defined by the Pensions Regulator.

Data quality workstreams

The Lothian Pension Funds’ Annual Report 2013 included commentary on work to enhance pension administration data quality. “In addition to the new employer portal, we have adopted other initiatives to improve data quality. These include participation in the joint procurement with other Scottish administering authorities for mortality screening and tracing services, specialist longevity and data analyses through “Club Vita” and the National Fraud Initiative. Pension record keeping standards are also measured against the Pension Regulator’s best practice guidance and appropriate assurance attained.”

More detail and a progress update on the various workstreams is provided below:

Employer On-line Portal - PensionsWEB

As reported separately in the report “Pensions Administration Strategy Review”, the Fund has invested in a new secure method of employer data transfer. This on-line portal has integrated query and validation functions and should facilitate further enhancement to the continual process of updating member records. This has been evidenced by significant improvement in employer performance in the first quarter of this financial year. Further work is ongoing to ensure full usage of the system by employers and to refine the employer portal to fully incorporate monthly reconciliation of pension contribution postings to individual records. This monthly reconciliation presents a real opportunity to reduce the historic reliance on year-end validation and therefore alleviate workload pressures for both employers and the Fund.

Pensions Administration Strategy Review

Similarly, the employer obligations embodied in the Pensions Administration Strategy, supplemented by regular liaison with employers, should lead to pensions record-keeping being accorded a higher priority that perhaps has been the case in the past.

Mortality Screening and Address Tracing

Matching our records to the General Registrars Office for Scotland, Disclosure of Death Information (Scottish GRO) and also the National Fraud Initiative (NFI) are covered separately in the report “Fraud Prevention Pension Payments”.

On behalf of all the Scottish administering authorities, Strathclyde Pension Fund has led the procurement of a framework agreement for mortality screening and address tracing services. The latter service is particularly useful in finding deferred members, which is an industry-wide problem. A staff member from Lothian Pension Fund provided advisory support to the Glasgow City Council team in the tendering process. Award letters have now been issued to the successful bidders and Glasgow City Council expects to release the “call off” guidance to the other local authorities very shortly.

“ Club Vita” Data Cleansing

Both Lothian Pension Fund and Lothian Buses Pension Fund participate in “Club Vita”, which is a specialist company proving longevity monitoring and experience analyses. As part of a suite of annual reports, both Funds receive comprehensive data cleansing information from the results of various quality assurance checks. These cover the following:

- the current and historic membership profile, with specific focus on the oldest members
- historic records and whether incorrect payments may have been made

- the pattern of birth and retirement dates
- whether any information supplied on members affluence, that is pension in payment and salary at retirement / exit, looks suspicious
- how clean longevity data is in comparison with other funds in “Club Vita”.

“Club Vita” also undertakes direct cleansing of post code data, in instances where the Funds’ address records may have missing or incomplete post codes. The Fund follows up all records which have been queried.

As at the last annual report in December 2012, the data of both Funds compared very favourably with the “VitaBank” of other funds. Lothian Pension Fund was stated to have data “amongst the best for reliable salary / exit for pensioners”.

Other Data Cleansing

Year-end information required to produce Annual Benefit Statements is validated, queried with the respective employer and records amended where necessary. Pending implementation of the integrated pensioner payroll, ongoing monthly reconciliation of payments between the pension administration and payroll records is being undertaken to provide assurance as to the accuracy of payments on an individual basis. Work is also continuing to ensure that, where applicable, Guaranteed Minimum Pension (GMP) records are updated. Additionally, the Fund’s member self service web-link enables secure on-line amendment to the individual’s address record and also encourages contact with the Fund should the member wish to query salary or service details.

Future Developments

Pensions Administration Standards Association

The Pensions Administration Standards Association (PASA) is a new independent body which sets standards for pensions administration and provides help and guidance to enable companies to achieve them. Lothian Pension Fund has investigated potential accreditation with PASA but at present the cost appears prohibitive. This, however, will be kept under review.

Recommendations

Pensions Audit Sub-Committee is requested to note the report

Measures of success

Data quality performance standards are measured against best practice guidance and included in the Lothian Pension Funds’ Annual Report.

Financial impact

There are no direct financial implications as a result of this report.

Equalities impact

There are no adverse equalities impacts arising from this report.

Sustainability impact

There are no adverse sustainability impacts arising from this report.

Consultation and engagement

The Pensions Committee and Consultative Panel for the Lothian Pension Funds, comprising employer and member representatives, are integral to the governance of the Funds.

Background reading / external references

Guidance on record-keeping from the Pensions Regulator can be found at:
<http://www.thepensionsregulator.gov.uk/guidance/guidance-record-keeping.aspx>

Links

Coalition pledges

Council outcomes CO26 – The Council engages with stakeholders and works in partnerships to improve services and deliver agreed objectives.

Single Outcome Agreement

Appendices None