



Pensions Audit Sub Committee

2.00pm, Tuesday, 3 December 2024

Employer Performance and Data Quality Update

Item number 6.3

1. Recommendations

The Pensions Audit Sub Committee (Committee) is requested to:

- 1.1 note the report and highlight any points it would like to raise at the Pensions Committee on 5 December 2024.

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Employer Performance and Data Quality Update

2. Executive Summary

- 2.1 The purpose of this report is to inform the Pensions Audit Sub-Committee of the ongoing work to enhance the quality of the pension administration membership record data.
- 2.2 In accordance with its Pension Administration Strategy, the Fund continues in its efforts to improve the flow of data from employers through regular reporting and liaison.
- 2.3 This year the Fund has focused on cleansing member records for the annual benefit statement production and analysis for the McCloud remedy. The Fund has also been preparing for the Pensions Dashboards programme and kept under review the data quality specified by The Pensions Regulator.

3. Background

- 3.1 In previous years, Pensions Audit Sub-Committee noted the continuing work to ensure the good quality of pension administration membership record data.
- 3.2 The information demands of accurate record- keeping increased with the introduction of a scheme based on career average revalued earnings (CARE) in 2015. The Pensions Regulator expects that an administering authority should:
- 3.2.1 set out responsibilities to scheme employers clearly;
 - 3.2.2 escalate any non-compliance to senior management (of the employers);
 - 3.2.3 utilise the ability to impose (recovery of cost) charges; and
 - 3.2.4 report individual scheme employers where their failure has caused a statutory breach.
- 3.3 In 2021 the Fund procured an analytical tool from the software supplier which uses Tableau business intelligence and analytic software. This is powerful data interrogation and visualisation tool that continues to be developed to give the fund greater insight into the data held, membership dynamics and performance. The tool was delivered with a number of standard dashboards and reports including the score measurement required by TPR based on a comprehensive analysis and on the percentage of clean member records without a single data failure.
- 3.4 The Fund sets out standards for provision of data from employers in an agreed Pensions Administration Strategy (**PAS**). It includes scope for the Fund to levy charges to cover any resultant costs if an employer's performance continues to fall

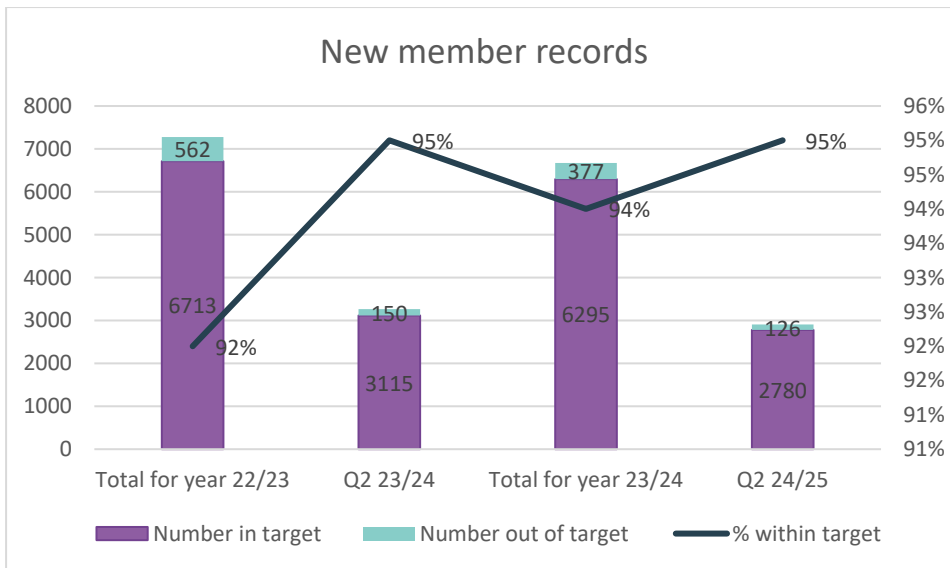
below acceptable tolerances. This provision ensures that the administrative costs of the Fund are borne equitably by all the employers. Criteria for passing on costs of poor performance by employers consist of any of the following;

- 3.4.1 Contributions received later than the regulatory standard;
 - 3.4.2 Not regularly addressing membership data queries;
 - 3.4.3 Consistently failing to meet service standard for new starts, leavers, retirements and deaths, and no clear commitment to improve; and
 - 3.4.4 not submitting monthly contributions for each member via the secure portal.
- 3.5 Lothian Pension Fund utilises 2 employer portals. The first portal (“i-Connect”) for the secure submission of monthly member updates and the second (“GoAnywhere”) for secure document sharing. The Fund continues to collaborate with the supplier to integrate a document sharing facility with in the first portal. The first phase has been delivered to i-Connect allowing employers to submit forms which automatically creates a task and appends the document to the member’s pension record. The second phase to allow an exchange of information between the Fund and its employers is expected during 2024. It is expected that the need for the second portal to be diminished.

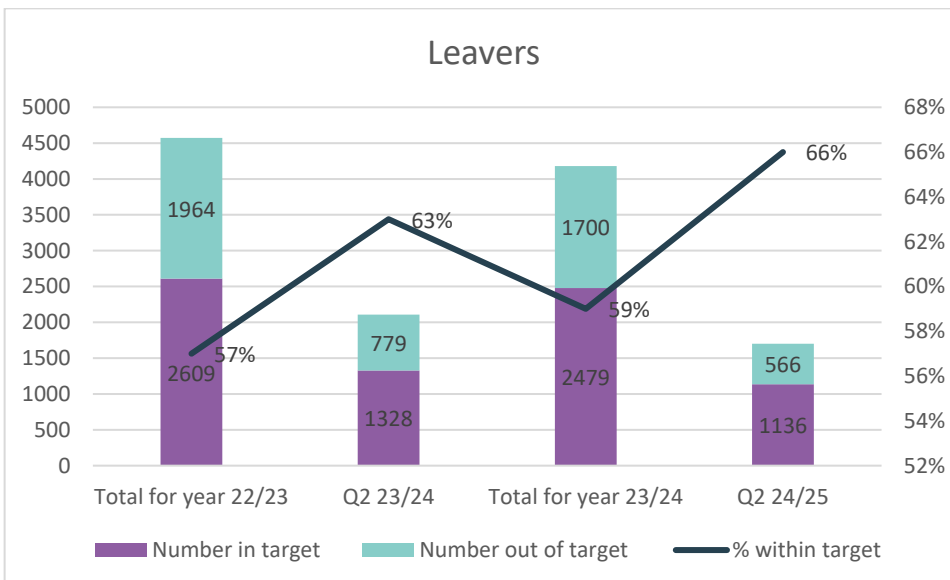
4. Main Report

Pension Administration Strategy (PAS) performance 2023/24, to date

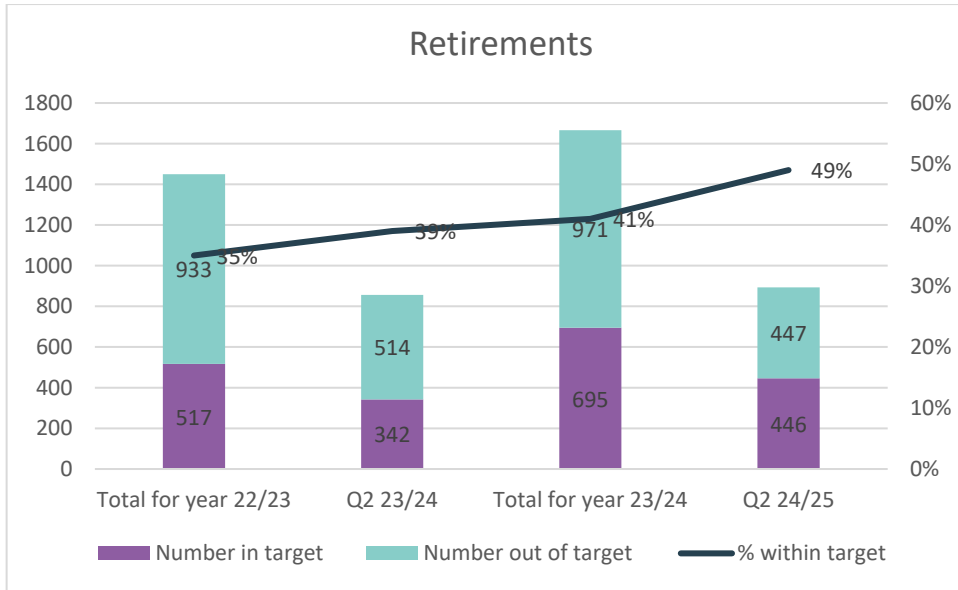
- 4.1 Fund-wide performance against PAS standards is reported each year in the Annual Report. Annual reports are issued to each employer outlining their own performance and comparing this to other employers of a similar size. Quarterly reports are also issued to the four Councils and on an exception basis to any employer whose performance merits specific intervention.
- 4.2 Improving employer performance continues to be a focus for the Fund, working with employers to find solutions to benefit both parties and ultimately the member.
- 4.3 Employers are expected to provide the information to create a new member record within 20 days of the month end in which the member joins. The following graph demonstrates that in this category employer performance continues to be high.



4.4 Leavers are to be submitted no later than 20 working days after the member’s date of leaving. Historically the largest employers have struggled to achieve greater than 50% of this target. Employers have put measures in place to combat outstanding forms and the Fund dropped the need to provide forms for member records with only post 2015 service. The graph below shows that for the first half of 2024/25 there was a 3% improvement from the same period from last year. The Fund will continue to work with employers to review processes and improve this grade, utilising improvements in technology.

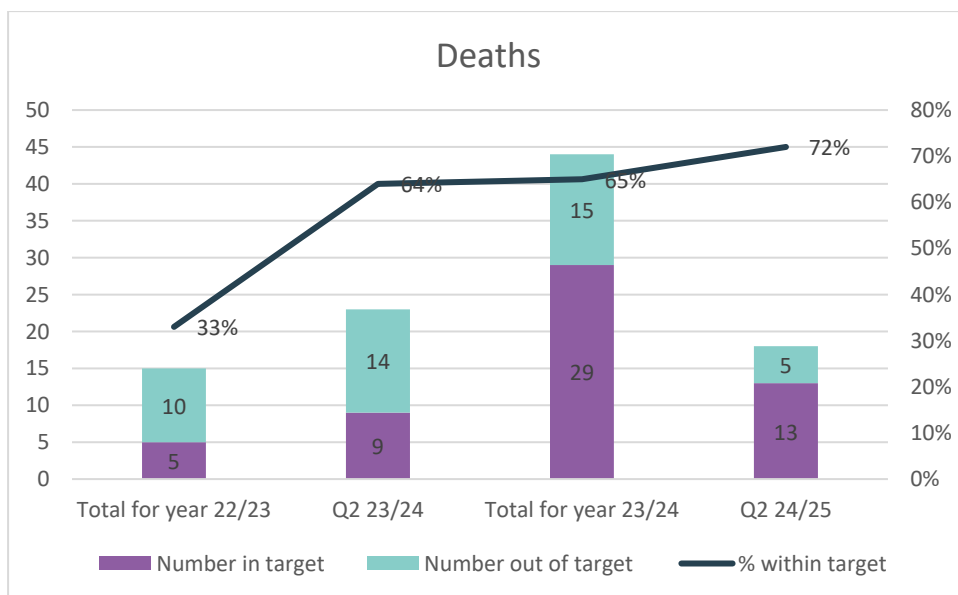


4.5 With exception of ill-health retirements, completed retirement forms and any supplementary documents should be provided to the Fund at least 20 working days before the member’s date of leaving. This changes to no later than 5 working days after the member’s date of leaving for ill-health retirements. There has been an improvement in the performance from previous years but continues to be under the expectations of the fund.



4.6 Advances in technology has allowed the fund to review and develop procedures which will reduce the lead time required from employers without compromising the service to the members. A successful pilot with 1 employer is near completion and a staged roll out to the other employers will commence shortly. To take account for this and previous changes the fund has scheduled a revision of the PAS standards for consideration of the committee followed by a consultation with employers. It is expected this will be put into effect in 2025.

4.7 A completed death in service form should be uploaded to the employer portal, with a copy of the death certificate if available, no later than 10 working days after the member’s date of death. Due to low numbers the percentage for this case type tends to fluctuate, but the performance during 2023/2024 and the first half of 2024/25 has increased from previous years.

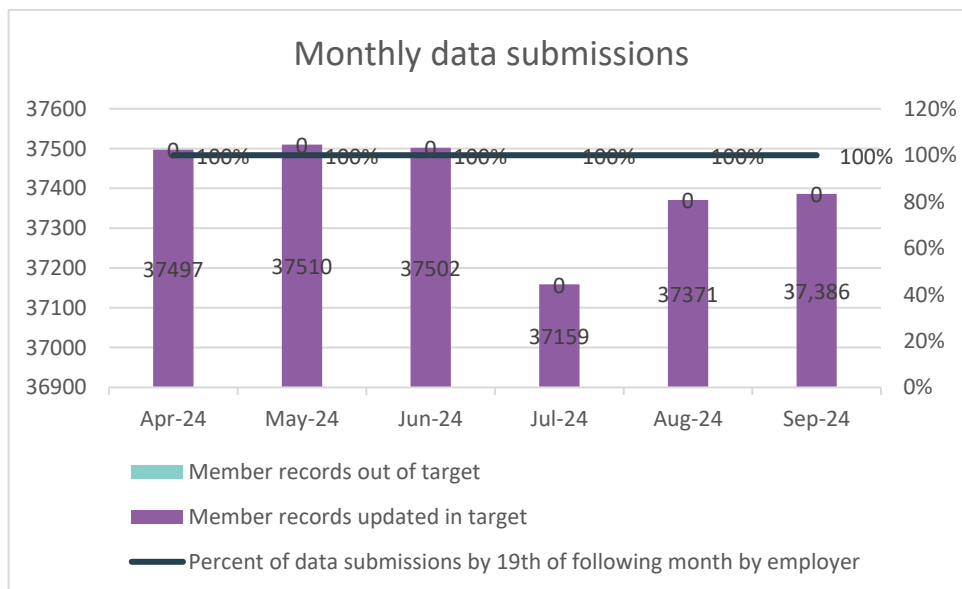


4.8 As previously advised to Pensions Committee, the PAS was reviewed to add an additional instance where employers may be charged for poor performance. Specifically, where an employer fails to achieve a performance level of 75% in target for the provision of early leaver and retirement information, an additional charge may be levied on an annual basis at the Fund’s discretion. Only on rare occasions has the Fund invoked a levy for poor employer performance. Although there is still significant improvement to be made there has been an upturn in performance and work continues to maintain this trend. The Fund deems that invoking a levy whilst employers are engaging with the Fund and are showing improvement would be detrimental to the relationship.

4.9 Fund officers have continued to meet with employers, particularly new contacts, to ensure that the requirements set out in the PAS are understood. Training sessions with payroll and HR staff have also been held. As in previous years, senior officers from the Fund will be holding annual meetings with large employers and these meetings will include discussion of the performance to highlight the key areas where improvement is required.

Monthly Contribution (Data) Return - Submissions

4.10 Employers are expected to provide extracts of their payroll using the employer portal, by the PAS target of 19th of each month after pension contributions have been deducted from pay. The following graph shows that all employers met the target for the first 6 months of 2024/25.

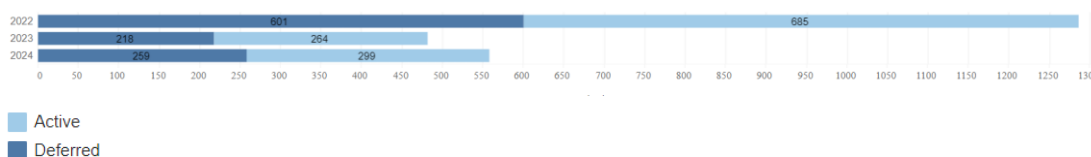


4.11 Last year it was reported that an employer was in the process of changing their third party payroll administrator and had failed to submit their September return. Due to continued issues returns for September, October, November and December 2023 were not submitted until the end of January 2024. A levy for late submissions has

been raised in accordance with the pensions administration strategy. All submissions since have been within the deadline.

Annual Benefit Statement 2024 – data returns from employers

- 4.12 The March monthly data submission is due on the 19th April and concludes a full financial year's data that will be used to provide active members with their annual benefit statement. All employers supplied the March submission by the 2024 due date. The Fund evaluated the data and 4,473 pay queries were sent to 26 employers, 3,833 of these were for The City of Edinburgh Council.
- 4.13 A further 287 errors in data were found during the pre-production data cleanse, of which only 164 were queried with the employer. The Fund fixed the remaining 123 without involving the employer.
- 4.14 53,406 annual benefit statements (100% of in scope member records) were produced and published to the member online service by 30 June 2024. This was 1 month earlier than 2023 and 2 months earlier than the statutory deadline of 31 August 2024. 19,393 of these statements were for deferred members. 558 members were issued with a paper statement.

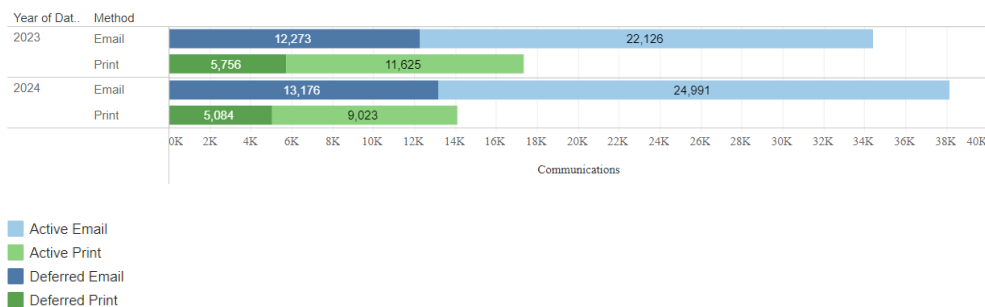


- 4.15 The Fund issued newsletters to active and deferred members. Members who have more than pension record only received one newsletter. The following graphs show the number of newsletters issued split between those emailed and those sent by post. being issued a printed copy of the statement.

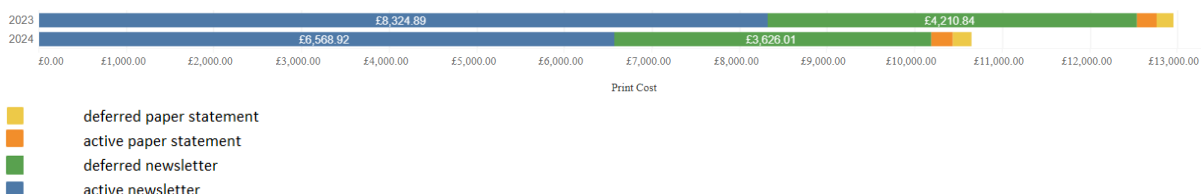
Newsletter production method. Members received either an **Email** or a **Printed** newsletter. Members marked as **Gone Away** did not receive a newsletter.



- 4.16 Email communication has increased from 2023 for both active and deferred members and consequently decreasing the print communication for both.



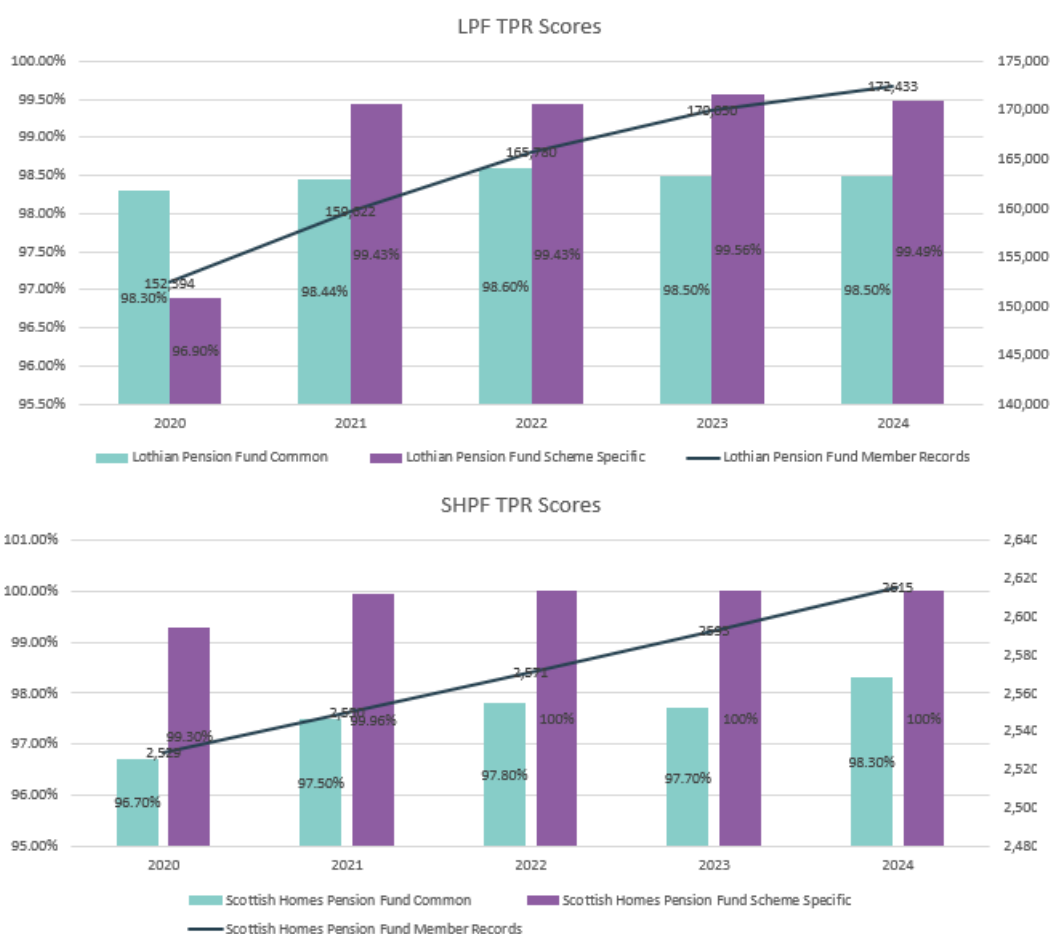
4.17 Increase in communication by email and online publication of statements has resulted in a continued reduction of the printing costs.



Management information and data quality monitoring

- 4.18 The Pensions Regulator (TPR) expects the quality of scheme data to be reviewed at least once a year and to calculate common and scheme specific data scores which are declared to them in the annual scheme return.
- 4.19 Common data is set by TPR and is applicable to all pension schemes, this is personal member data such as name and address. The Fund have completed the annual review of the common data held and will be declaring that 98.5% of records did not fail the common data tests for Lothian Pension Fund membership. For Scottish Homes Pension Fund membership, the Fund will be declaring a score of 98.3%. Scheme specific data is data that is required to calculate member benefits and TPR leaves the data to be assessed to the scheme. For the 2024 scheme return the Fund will declare scores of 99.49% for Lothian Pension Fund and 100% for Scottish Homes Pension Fund. Full details of the tests completed are available in the documents “Lothian Pension Fund – Data Quality report 2024” and “Scottish Homes Pension Fund – Data Quality report 2024”.

4.20 The following graphs show the historic scores for both schemes going back to 2020.



4.21 As part of the annual data review the TPR recommends that a data improvement plan is created which sets out objectives to achieve better data. They also advise Funds to identify other work which may influence improvement work or affects resources. The Fund’s Data Quality Improvement Plan 2024 is available and includes the Fund’s objectives to maintain accurate data, trace “lost” member and prevent fraudulent claims.

McCloud Remedy

4.22 When the Local Government Pension Scheme changed from final salary to career average in 2015, older members were given some protections from the changes. The McCloud court case ruled that younger members had been discriminated against and should receive those same protections, known as the McCloud remedy or underpin.

4.23 The McCloud project began in March 2021 with the objective of applying the McCloud remedy to all eligible members. Due to the scale of data involved a pragmatic approach was taken for the data collection with the Fund’s employers, this was concluded by the end of 2023. An analysis tool was utilised to cleanse the data before uploading to the system. To comply with disclosure regulations the Fund completed a large communications exercise, contacting 31,108 members by either

post or electronically where an email address was held. The actual underpin calculation for 22,994 records was run and values successfully written back to the records in September 2024. The system was also updated to allow for 'business as usual' calculations to account for the McCloud remedy.

- 4.24 Due to a delay in updates for the amendment regulations for special interest the Fund has still to recalculate pensioners benefits. Final costings for the amendments, arrears of pay and interest due are not yet known.

The Pensions Dashboards Programme

- 4.25 The Pensions Dashboards Programme (PDP) is a government initiative that will enable individuals who have a UK pension not in payment to view online their pensions information in one place.
- 4.26 Due to delays with the programme, amendment regulations came into force on 9 August 2023 confirming the final date for connecting to the PDP eco-system has been extended to 31 October 2026. However further guidance on staged connection has confirmed that all public sector pension schemes are compelled to connect by 31 October 2025.
- 4.27 The Fund is in the midst of a procurement exercise for an integrated service provider which will allow the connection to the PDP eco-system.

5. Financial impact

- 5.1 There are no direct financial implications arising from this report.
- 5.2 Data quality is fundamental to the effective and efficient administration by the Fund. Costs are met by the Fund's administration budgets (staff and third-party payments).

6. Stakeholder/Regulatory Impact

- 6.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the fund and they are invited to comment on the relevant matters at Committee meetings.
- 6.2 There are no adverse health and safety, governance, compliance or regulatory implications as a result of this report. The forward planning of the Committees' agendas should facilitate improved risk management and governance for the pension funds.
- 6.3 There are no adverse sustainability impacts arising from this report.

7. Background reading/external references

7.1 [Improve your scheme data | The Pensions Regulator](#)

8. Appendices

Appendix 1 – Scottish Homes Pension Fund – Data Quality Report 2024

Appendix 2 – Lothian Pension Fund – Data Quality Report 2024

Appendix 3 – Data Quality Improvement Plan 2024