

CAMBRIDGESHIRE PENSION FUND



Pension Fund Committee

Date: 7 December 2017

Report by: Head of Pensions

Subject:	Data Quality
Purpose of the Report	To present members of the Pension Fund Committee with information on how data quality will be assessed and rectified and the progress of data improvement projects already underway.
Recommendations	That the Pension Fund Committee notes the content of the report.
Enquiries to:	Name: Jo Walton – Governance and Regulations Manager Tel: 07342 065329 E-mail: jwalton@northamptonshire.gov.uk

1. Background

1.1 It is an essential that data held on scheme members is accurate and regularly reviewed.

1.2 The following legislation and guidance provides the legal requirement for pension schemes to hold accurate data.

1.2.1 Pensions Act 2004 – section 249B (inserted by Schedule 4 of the Public Service Pensions Act 2013)

(1) The scheme manager of a public service pension scheme must establish and operate internal controls which are adequate for the purpose of securing that the scheme is administered and managed –

(a) in accordance with the scheme rules and

(b) in accordance with the requirements of the law

1.2.2 Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014

(4) Retention of records of member and beneficiary information

1.2.3 Data Protection Act 1988 Schedule 1: The Data Protection Principles: Part I – The Principles

(4) Personal data shall be accurate and, where necessary, kept up to date.

1.2.4 The General Data Protection (GDPR) (Regulation (EU) 2016/679) Article 5: Principles relating to the processing of personal data

1(d) Personal data shall be: accurate and, where necessary kept up to date; every reasonable step must be taken to ensure that personal data they are inaccurate, having regard to the purposes for which they are processed are erased or rectified without delay.

- 1.2.5 The Pensions Regulator's code of practice: governance and administration of public service pension schemes – code 14 (April 2015)

Record-keeping – Failing to maintain complete and accurate records can affect the ability of your public service pension scheme to carry out basic functions. Accurate record-keeping is crucial in ensuring that benefits are paid correctly.

- 1.2.6 The Pensions Regulator's: Compliance and enforcement policy for public service pension schemes (June 2015) sets out who is responsible for ensuring accurate data (i.e. scheme managers, pension boards and administrators) and the consequences of failing to do so.

2. Importance of accurate data

- 2.1 Besides the legislative requirements to hold accurate data, the quality of membership data is essential for efficient administration of the Fund.

- 2.2 Failure to hold accurate data could lead to a number of serious consequences. Members may have their benefits calculated incorrectly causing inconvenience, discontent and reputational damage. Overpayments may prove irrecoverable.

- 2.3 Poor quality data can also delay bulk activities, such as the production of annual benefit statements. A lack of confidence in the scheme data may also lead to the Fund actuary making more conservative assumptions which could mean additional costs for scheme employers.

- 2.4 Good quality data has a number of positive benefits for the scheme:

- Data can be better understood and relied upon
- Reduced exceptions (less manual calculations)
- Increased KPI performance
- Options for self-service more deliverable
- Data becomes more portable (easier to migrate to other systems)
- Reduced risk of fraud

- 2.5 In the Pensions Regulator's record keeping guidance, two sets of data are highlighted as priority to be accurate and regularly reviewed. These sets of data are known as common and conditional data.

- 2.6 Common data is defined as data that all types of pension scheme should hold, regardless of its benefit structure and design. Common data should be 100% accurate. These data items are as follows:

- National insurance number
- Name

- Address
- Gender
- Start of pensionable service
- Retirement date
- Membership status
- Last status event

2.7 Conditional data is defined a scheme specific data and in respect of the LGPS are as detailed below, but not limited to:

- Scheme employer
- Contributions
- Membership of 80ths / 60ths / 49ths schemes
- Pension sharing orders / earmarking orders
- Pensionable pay / pensionable pay history
- Transfer in details
- Deferred benefit details
- Additional Voluntary / Regular / Pension Contribution details
- Expression of wish details
- Annual and lifetime allowance

3. Data quality assessment

- 3.1 In order to demonstrate compliance with the law in the area of data quality the Pensions Regulator will expect a data improvement plan to be produced based on an assessment of the quality of the existing data.
- 3.2 Regular checks of data quality are already undertaken by the Fund most notably in year-end processes, the production of annual benefit statements and when benefits are calculated and put into payment.
- 3.3 A more holistic assessment of all data held by the Fund is required to ensure compliance with legislation and also to realise the benefits of accurate data as detailed in section 2.4 of this report.
- 3.4 In order to conduct such an assessment, LGSS Pensions have entered into a partnership with ITM Limited to produce the tests for a data audit unique to that of data held by LGPS funds. The audit will assess the quality of the data held on the pensions administration system and also the pensions payroll module and provide an overall data quality score.
- 3.5 ITM Limited are a data audit company who have considerable experience in conducting data audits within private sector pension schemes and are currently contracted to undertake stage two of the contracting out reconciliation in respect of this Fund and many other LGPS funds.
- 3.6 The assessment, undertaken by ITM Limited with data uploaded to a secure portal, will identify if common and/ or conditional data is missing, inaccurate or inconsistent.

- 3.7 In addition to common and conditional data, an assessment will be made on other relevant data that is critical to effective and accurate administration. A suite of reports will be produced to highlight areas requiring rectification and improvement from which a data improvement plan will be constructed.
- 3.8 The data improvement plan will contain areas of priority and target dates for completion. Progress against the plan will be reported to both the Pension Fund Committee and Local Pension Board at each meeting.
- 3.9 It is intended that ITM Limited will be contracted to perform an analysis once every year for the next 3 years and the data improvement plan will be updated accordingly.

4. Next steps

- 4.1 The terms of the partnership arrangement have been agreed by both the County Council and ITM Limited work has begun to devise the specification for the data audit. This will be followed by the necessary testing to ensure the product is producing reliable output.
- 4.2 Once ITM Limited have carried out the assessment and provided officers with the findings a data improvement plan will be constructed. Subject to the completion of testing it is anticipated that the data improvement plan will be presented to the Local Pension Board in April 2018 for comments and the Pension Fund Committee in June 2018 for approval.

5. Data improvement projects in progress

- 5.1 In the meantime it is important to note the LGSS Pensions are already undertaking two large scale data improvement projects. These projects are a detailed reconciliation of the pensioner payroll system against pension administration records and a reconciliation of the contracted-out membership data held by the scheme and that recorded by HMRC.
- 5.2 These projects will also feed into the final data improvement plan.

6. The Pensions Regulator's Annual Returns

- 6.1 The Pensions Regulator is already requesting that all non-public service pension schemes provide a data quality score as part of the mandatory Annual Return and it is speculated that the Pensions Regulator will be expecting the same from public service schemes in 2018. This Fund will therefore be in a position to provide this score when the surveys are issued during September and October 2018.

7. Relevant Pension Fund Objectives

Maintain accurate records and ensure data is protected and used for authorised purposes only.

8. Finance & Resources Implications

- 8.1 The cost of engaging external support in achieving accurate data will be met from the administration budget.

9. Risk Implications

a) Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
There are no risks associated with ensuring that records held on members are accurate	N/A	Green

b) Risk(s) associated with not undertaking the proposal

Risk	Risk Rating
Failure to ensure the records held are accurate would be a breach in the legislation detailed in section 1 of this report and could result in inaccurate benefits being paid.	Amber

10. Communication Implications

Website	The Data Improvement Plan, once developed and approved will be published on the Fund's website.
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11. Legal Implications

- 11.1 Failing to comply with the legislation detailed in section 1 of this report is a breach of the law, reportable to the Pensions Regulator.

12. Consultation with Key Advisers

- 12.1 LGSS Law have reviewed and agreed the terms of the partnership agreement with ITM Limited.

13. Alternative Options Considered

- 13.1 Other suppliers of data quality assessments were considered but did not offer the same flexibility, result reporting and value for money.

14. Background Papers

- 14.1 Not applicable

Checklist of Key Approvals	
Is this decision included in the Business Plan?	No
Will further decisions be required? If so, please outline the timetable here	No
Has this report been cleared by Section 151 Officer?	Sarah Heywood – 22 November 2017
Has this report been cleared by Head of Pensions?	Mark Whitby – 15 November 2017
Has the Chairman of the Pension Fund Committee been consulted?	Councillor Rogers – 22 November 2017
Has this report been cleared by Legal Services?	Sent to Quentin Baker – 27 November 2017