

Report to: Pension Board

Date of meeting: 11 November 2019

By: Chief Finance Officer

Title: Data Improvement Programme and Annual Benefit Statement (ABS) Working Group

Purpose: To provide an overview of the Data Improvement Programme and ABS working group

RECOMMENDATIONS: The Pension Board is recommended to:

- 1) note the commencement of the Data Improvement Programme which is delivering cleansing for employer common and specific data for the Scheme Manager, East Sussex Pension Fund (ESPF);**
 - 2) nominate members to the ABS Working Group; and**
 - 3) note the Communication Strategy Statement will be deferred for review by the Pension Board until March 2020, to align with the revised Pension Administration Strategy.**
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1. Background

1.1 Given the increased focus of the Pension Board and Committee regarding day-to-day administration, together with the accuracy of member data and its impact on scheme liabilities the purpose of this report is to set out the steps to undertake a Data Improvement Programme which comprises a comprehensive review of scheme member data held by scheme employers, reconcile this with that held on our own records and ensure appropriate procedures are in place to support scheme employers for the future. The oversight and scrutiny of the Data Improvement Programme will be undertaken by a newly established Annual Benefit Statement (ABS) 2020 Working Group

1.2 The Pensions Regulator published a statutory code of practice (“code of practice 14”) in relation to the governance and administration of public service pension schemes, including the Local Government Pension Scheme (LGPS). The legal requirements in respect of record keeping and in particular scheme member data are set out in paragraphs 122 to 130 of the code of practice. In addition to confirming the requirement to maintain member data in accordance with the Record Keeping Regulations (paragraphs 122 to 125) the code of practice 14 also sets out the scheme employer requirements to provide timely and accurate data, together with the requirement for schemes themselves to ensure scheme employers have a clear understanding of the main events requiring them to provide information (paragraphs 128 to 130).

1.3 The Pension Regulator’s code of practice also makes it clear in paragraphs 138 to 142 that scheme member data should be regularly reviewed as well as reconciled with that held by scheme employers, and where poor data quality or missing data is identified a data improvement plan is put in place.

1.4 Paragraph 2(2) of the Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”) defines the “scheme manager” for the purposes of the Public Service Pensions Act 2013 (“The 2013 Act”) as the administering authority. East Sussex County Council is the administering authority for the purposes of the East Sussex Pension Fund (ESPF), as defined in paragraph 1 to schedule 3 of the 2013 Regulations. Paragraph 16 of the 2013 Act requires that the “scheme manager” must keep such records as may be specified in regulations. This requirement is set out in regulations 3 to 6 of the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014 (“the Record Keeping Regulations”), which includes specific information in respect of all active, deferred and pensioner members and where appropriate their beneficiaries.

1.5 Given the above, the ESPF has a duty to ensure accurate records are maintained in respect of its scheme members, as well as communicating all information in an accurate, timely and secure manner. In order to achieve this it is imperative that scheme employers are clear on their individual responsibilities and have the required support from the Pension Administrator in fulfilling their duties. The recent issues noted by the Pension Administration in delivering the 2019 Annual Benefit Statements has highlighted a number of concerns regarding scheme employer understanding of their responsibilities, as well as their ability to provide accurate and complete data in a timely manner. The Fund Actuary, Hymans Robertson, in undertaking of the Triennial Valuation as at 31 March 2019, similarly identified a high level of validation and critical data error points within scheme employer common and scheme specific data, which has highlighted the need to undertake a root and branch assessment and review of employer dimension.

2. Supporting Information

2.1 The Data Improvement Programme is the first step in a series of initiatives aimed at delivering improved performance of all aspects of the ESPF. The desired outcome of the programme is to achieve an early completion of the ABS 2020 bringing forward the deadline to 31 May 2020, three months ahead of the statutory deadline of 31 August 2020, to allow headroom to address residual employer matters or omissions; and to bring an ABS report to the Pension Board and Pension Committee on the ABS performance in June 2020. The programme formally ends at the 31 March at which point there is a formal handover from the Scheme Manager to the Orbis Pension Administration of cleansed data in accordance with statute.

2.2 This programme gateway seamlessly flows into The Orbis Service Improvement Plan which migrates the cleansed data into iConnect, provisionally from the 1st April to 30th June. Employer data will thereafter be submitted to the Administrator on a monthly basis improving service performance from annual returns to monthly returns, which is the industry standard practice.

2.2 This initial workstream, however, is focused on working in partnership with employers to embed a risk management approach in the discharge of their discretionary functions and includes a thorough revision of the communication strategy and administrative strategy to include particularly in relation to clarifying roles and responsibilities of the Scheme Manager, Pensions Administration Service and Employer and implementing the provisions under statute for fining employers where performance falls short of the statutory threshold. This is an ideal time to revise the administration strategy to reflect best practice and recent guidance from Chartered Institute of Public Finance and Accountancy (CIPFA) on the quality and performance standards expected of the Scheme Manager and its Scheme Employers.

2.3 Meaningful engagement with employers requires a marked improvement in how the Scheme Manager communicates to and engages with employers. This includes carrying out a baseline measurement of the current communication processes and monitoring the improvement of these processes with reports back to the working group. The communication strategy will clarify the roles and responsibilities for the Scheme Manager and the Pension Administration Service for communications to ensure messaging is consistent and appropriate. This also means that the Scheme Manager and the Pension Administration team will need develop better internal communication mechanisms to ensure a joined up and seamless approach to employers. This means that the Communication Strategy Statement is deferred for presentation to the Pension Board until March 2020, and this equally applies to the Pension Administration Strategy.

2.4 A further workstream is the development of a service level agreement between the Scheme Manager and Orbis Pensions Administration to reflect the revised aspirations for the Fund to codify best practice and guidance and review the performance assessment framework underpinning the key performance indicators. The ESPF breaches policy is also being updated within this theme to reflect best practice and changes in the Pension Regulator's guidance.

Scoping Workshop

2.5 The scoping workshop took place on the 22nd October 2019 attended by the Scheme Manager, Orbis Pension Administration Service, Actuary, Hymans Robertson, and Aon. The objectives of the workshop was to secure buy in and engagement from all stakeholders and form a

shared view of the design principles, key outcomes and programme timetable, all of which are underpinned by a high level work plan.

ABS 2020 Working Group

2.6 The ABS Working Group is responsible for the delivery of the Data Improvement Programme and for reporting to the Pension Board and Committee on the progress to achievement of objectives. The Pension Board represents Fund employers and employees. It is recommended that the Pension Board nominates at least one member to sit on the ABS Working Group to bring the perspective of employers and employees.

3. Conclusion and reasons for recommendations

3.1 The Data Improvement Programme has been implemented to improve the quality of ESPF employer data and support the readiness for migration to iConnect. The ESPF Pension Committee understands that effective and efficient data management is beneficial to all stakeholders of the pension fund ensuring it can fulfil its obligations under the regulations, lower its costs and demonstrate improved use of resources. Clean data will enable faster and more accurate measurement of pension fund liabilities and improve decision making and stewardship.

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Annual Benefit Statement 2020 Working Group

Purpose of the Working Group

The Annual Benefit Statement Working Group (the Working Group) is the body responsible for driving the better use of data in the East Sussex Pension Fund (ESPF) and addressing any gaps and barriers preventing it.

The Working Group will:

- oversee, drive the delivery and receive project managers' reports of the ESPF Data Improvement Programme and ABS 2020 programme priorities;
- tackle the key cross-cutting employer related issues that continue to be a barrier to the effective use of data; and,
- agree a set of strategic priorities for the ESPF use of data in compliance with the Pension Regulator's (tPR's) guidance, Code of Practice no.14.

Timescales

This Working Group is operational from 1 November 2019 – 31 March 2020.

Strategic objectives for the Working Group

1. Take responsibility for strategic oversight of the ESPF Data Strategy to be underpinned by the following themes:
 - Improve data quality
 - Improve data accessibility
 - Increase data use and
 - Increase data capability and innovation, and improve public trust
2. Provide strategic oversight of tPR guidance which relates to data, shaping advice to the Pension Board and Committee on implementation.
3. To continue to oversee a small portfolio of projects to deliver data-enabled change and continue to learn and work through solutions to ongoing barriers.

Work Programme and immediate priorities for 2019 - 2020

The immediate priorities are:

1. The development of an overarching work Programme to deliver the Data Improvement Programme and the ABS 2020 Programme, to be reported to the Pension Board and Committee in June 2020;
2. To project manage the Data Improvement Programme to improve the accessibility, integrity and quality of common and specific data held by employers; and,
3. To project manage the early achievement of ABS 2020 and support and monitor the progress to achieving this priority with a particular focus on better employer engagement between scheme employers, scheme manager and the pension administration service.

Working Group membership and responsibilities

Chair

The Working Group will be Chaired by TBC, who will agree the agenda and review papers for each meeting with the Secretariat.

Members

Membership will comprise relevant officers. The Working Group membership is also open to members of the Pension Board, who will work with delivery partners to drive data-enabled change across scheme employers. The Working Group shall comprise X members.

Members should be responsible for:

- advising on setting the strategic direction, and providing appropriate governance, for the use of data across the scheme employers
- providing advice and mentorship on employer engagement or initiatives, as required and
- raising, and helping to resolve, cross-cutting challenges to advancing the data agenda

Representatives

Senior external representatives may also be invited by the Chair to provide expert advice and opinion on the ESPF data agenda and activities.

Secretariat

Led by the Scheme Manager, the Secretariat will support the Working Group and Chair to meet their purpose. The Secretariat will escalate issues to the Pension Board and Committee, which is ultimately responsible for the portfolio, if the objectives are unlikely to be achieved by the agreed timescales.

Meetings

Should be held monthly, usually lasting an hour and not more than ninety minutes.

Review of the Working Group

The Working Group and its terms of reference will be reviewed at the 1 April 2020, following the completion of the Data Improvement Programme, by the Secretariat, approved by the Chair of the Working Group and presented to Pension Board.

Strategic links with delivery partners

In order to deliver the benefits of the Working Groups priorities, and to make progress on challenges, Working Group members and the Secretariat will work with the following priority stakeholders:

1. The ESPF Actuary, Hymans Robertson, which supports the delivery of the Data Improvement Programme to deliver strategic data priorities and to improve and develop a strategy for raising data capability across ESPF employers, to be approved by the Pension Committee. Amongst other responsibilities, Hymans Robertson will act as a delivery arm of the ABS 2020 Working Group, helping to drive progress on specific activities under the themes of the work programme, escalating strategic blockers and enablers back to the Committee.
2. The Orbis Pension Administration Service which supports the delivery of the Data Improvement Programme and the ABS 2020 Programme to deliver strategic data priorities.
3. Technical partners, primarily but not exclusively Aon. These partners will contribute to the development of the Pension Administration Strategy, Pension Administration Service Level Agreement, Communication Strategy Statement and Employer Engagement Action Plan, Breaches Policy and will support specific projects and other activities under the work programme with relevant skills and resource according to capacity.

In delegating tasks and lending authority for action to these delivery partners, Working Group members remain accountable for progress and agree to monitor and unblock progress - escalating to the Pension Board Chair where necessary, and at quarterly Pension Board meetings as a last resort.

Contact

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