



## **LOCAL PENSION BOARD - 4 MAY 2022**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **PENSION FUND CONTINUOUS IMPROVEMENTS REPORT**

##### **Purpose of the Report**

1. To provide a regular update to the board regarding progress in respect of areas of identified improvement within the Pensions Section.

##### **Background**

2. The Continued Improvements and Systems team has been created to assess and improve existing processes, maximising the use of technology, whilst exploring other areas including tenders, new legislation, governance and data quality. Appendix D has been provided to cover the areas of improvement to be addressed, but the key developments since last quarter are provided in more detail below.

##### **Member Self Service (MSS)**

3. The latest MSS figures have been provided in Appendix A and continue to show a steady increase in registrations across all employers. This section will be removed from future reports but the figures will continue to be provided in an appendix.

##### **Improvements to Starter Process**

4. Further to the Continuous Improvements report dated 16<sup>th</sup> February 2022, Officers introduced changes to the new scheme members 'Starter' process with effect from 1<sup>st</sup> April 2022. A bulletin was issued to employers on 3<sup>rd</sup> March 2022.
5. The new approach introduces a revised letter that is issued to all new starters which confirms membership of the LGPS but removes the requirement for a paper 'Membership' form to be completed and instead directs new members to register for the Member Self Service facility and obtain any required forms from the website, which can then be uploaded back through the website, or in some cases completed online.
6. The new process will be monitored for the first few months, but it is expected that the number of members registering for Member Self Service will increase

and fewer paper forms will be sent to the office, resulting in a reduction in the amount of documents to be scanned, streamlining this process.

### **Improvements to Leaver Process**

7. Officers will shortly introduce changes to the current 'Leaver' process which removes the requirement for scheme employers to provide a Pensions Leaver Form for all scheme members who cease their employment or opt out of the LGPS.
8. Where a scheme employer has registered for iConnect, data is provided on a monthly basis directly to Altair, the Pensions administration system. Currently, when scheme members cease their employment, employers are obliged to complete a leavers form, which confirms date of leaving, plus other data relating to their final year of pensionable employment.
9. In the context of this process, there are two categories of member:
  - i) The scheme members that have CARE pension benefits only, i.e. pensionable service accrued on or after 1<sup>st</sup> April 2014. For these members there is no additional data required for employers to provide on the Leaver Form that has not been previously submitted through the iConnect system.
  - ii) The scheme members that have CARE and Final Salary benefits, i.e. pensionable service accrued both before and after 1<sup>st</sup> April 2014. For these members then there is a requirement for employers to provide additional pension data on the form that has not already been submitted through the iConnect system.
10. On this basis, the following initial approach is proposed:

Employers should continue to automatically provide a Leaver Form where scheme members have either:

- Reached the age of 55 or over
- Retired on the grounds of permanent ill health
- Or died

In all the remaining cases, where the members that fall into the first category, i.e. where a form is not required, cases can be processed based on the information already held on the record.

Where the members fall into the second category, i.e. a form is required, an Insights report will identify those members and a list of cases will be emailed to each employer securely.

11. Where there is any doubt over the information provided through iConnect, employers have been advised that forms may be requested to provide clarification of previously supplied data.

12. In addition, employers will be advised that leaver forms will need to be uploaded securely through iConnect instead of continuing with secure email, which is the current practice. This method will allow for forms to be directly sent to individual pension records without the need for documents to be scanned individually and indexed manually to those records. It also offers a clear audit trail regarding when the document was sent.
13. Removing the need for a leaver form in many cases streamlines processes:
- Eliminates delays between the notification of members leaving and Officers calculating benefits
  - Scheme members will receive their benefit notifications earlier
  - Employers will need to complete less forms.
14. It is intended that this process will be introduced by June.

### **Improvements to Pensioner Payroll**

15. When pensioner payroll transferred from Oracle to Altair in February 2019 a different approach had to be taken in respect of how data was held for those scheme members with more than one pension in payment. This would typically affect those members who had more than one period of pension scheme membership in the Fund and had elected not to join those periods together.
16. Oracle payroll had been able to combine those records at the point of payment to ensure that only one payment per pensioner was made each month. This approach was required so that tax deductions were calculated correctly across those multiple records and also to ensure that savings were made by avoiding the additional costs that would occur if multiple payments were made to one person. There are currently just under 5,000 records relating to a member who has more than one pension in payment.
17. The Altair system did not have this facility and to be able to continue with this approach, a single payroll record had to be created for each pensioner, which meant combining existing payroll records.
18. Recent developments to Altair payroll now mean it is possible to revert to the original approach and a system upgrade is scheduled for early summer.
19. The change will split out the combined data to create one payroll record per pensioner and those records can once again be combined at the point of payment.
20. Note that these changes will not affect the payment of the pensions in question, nor will pensioners see any difference in how their pension data is presented on Member Self Service.

21. Once this change has been implemented, the immediate benefit for Officers within the Payments and Taxation team will be the simplification of how the payroll data is displayed, resulting in a smoother process and less issues when creating new records following the retirement of a member.
22. Looking ahead, this will allow for future changes to be made that will result in further streamlining of the process, with the possibility of introducing the automation of payroll record creation following the processing of a retirement. This is likely to be implemented in 2023.

### **Cyber Security**

23. As a result of the current situation in Ukraine, cyber threats are likely to increase. Whilst the Fund does not know the form of attacks that will emerge, it is clear that there is a need for Fund Officers to be vigilant. A refresher training course has been circulated amongst colleagues to ensure that best practice is being followed with regards to the use of strong passwords and knowing how to spot any “phishing” emails that carry a potential threat of viruses that may be sent to accounts.
24. In addition, Heywood, the Fund’s admin system supplier have contacted clients to advise of the additional steps they have taken in response to the situation. These include:
  - Frequent internal threat simulations
  - Enforcing strict infrastructure configuration
  - Engaged a leading UK security consultancy to provide incident response services
25. Full details of the steps taken by Heywood can be found in Appendix B
26. As part of a wider picture, The Pensions Regulator’s new single code of practice, which includes steps to be taken around cyber security is expected to come into force later in 2022.
27. The draft version of the code of practice states which measures need to be adopted, including:
  - Ensure there is knowledge and understanding of cyber risk
  - Ensure there are clearly defined roles and responsibilities to identify cyber risks and breaches, and to respond to cyber incidents
  - Ensuring cyber is on the risk register
  - Ensuring appropriate controls are in place and are up to date, e.g. anti-virus software
28. As part of the work planned to ensure compliance, Officers will be reviewing current practices in relation to cyber and creating a policy document for publication on the Pensions website.

### Data Quality

29. In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they considered to be good practice for measuring the presence of member data. Specific targets were set for data TPR deemed as 'Common' and to a lesser degree they also outlined what should be deemed as 'Scheme Specific'. There are a series of checks that are carried out on the data and based on the number of passes and failures, a score is derived. Each score is submitted to The Pension Regulator annually.
30. The scores will also be included in the 'Value for Money' statement as part of the Fund's Annual Report which is referred to in the latest Board Administration Report.
31. Since 2018 Heywood have been commissioned to provide a score in respect of both the Common and Scheme Specific data for Officers for submission to TPR.
32. Following the acquisition of the Insights reporting tool at the beginning of 2022, Officers are now able to obtain the information, including a breakdown of cases where action needed to be taken in respect of any data issues, whenever required. This means that it is now possible to provide regular scores to the Board to demonstrate progress in this exercise.
33. Insights also carries out additional checks not required by TPR, however our main focus is on the areas that are set by TPR. The scores have been included annually in the Pension Report and to date the figures are:

2018/19 Report	Common Data 99.2%	Scheme Specific Data: 88.7%
2019/20 Report	Common Data 99.2%	Scheme Specific Data 90.4%
2020/21 Report	Common Data 99.2%	Scheme Specific Data 90.9%

The current calculation of the scores as at 6<sup>th</sup> April 2022 show that the current scores are:

Common Data: 97.2%      Scheme Specific Data: 97.59%

34. Now that Insights is the source for the data scores, it has emerged that the previously submitted scores needed a slight adjustment and the current scores reflect this. However, overall, the latest scores are more favourable.

### **Common Data Score**

35. The Common Data checks are divided into 8 sub-categories and in many cases the scores are shown as 100%.
36. The only category that shows a score under 98% is 'Addresses' which scores 96.05%. Of these cases over 89% relate to members who have left the scheme and either have an unclaimed entitlement to a refund or have a deferred benefit. Officers have a policy of tracing addresses for deferred members immediately prior to their 55<sup>th</sup> birthday, which is the earliest date that the pension can be claimed. Currently members with an unclaimed refund are contacted shortly after their original leaving date only. The other categories of members will need some investigation, but the cases are relatively low in number.

### **Scheme Specific Data Score**

37. The Scheme Specific Data checks are divided into 5 sub-categories and all score over 98%, with the highest category scoring 99.6%.
38. The lowest scoring category is 'Contracting Out' which scores 98.07%. A further breakdown of the information in respect of both categories is provided in Appendix C.
39. Officers will continue to monitor the scores regularly and from next month a regular update on the scores will appear in the 'Areas of Improvement' Appendix.

### **Insights Update**

40. The Insights reporting tool is now being regularly utilised by Officers. The reports available are a mixture of those developed by Heywood and others created by Officers. In addition, there is now an 'Insights Community Reports' area that allows sharing between Funds.
41. Currently in use and referred to elsewhere in this report are the two Data Quality reports, as well as the report developed to identify where a Pensions Leaver Form is required from employers.
42. Also in use is the 'Leavers Checking Report' which identifies cases suitable for use with bulk calculation processes. This is a developing process that will streamline current practice once finalised.
43. A 'Payroll Reconciliation' report is also available to compare the pension values held on both the administration and payroll and highlights where those values differ. This report be used as part of a regular monthly process effective from 1<sup>st</sup> June 2022.

44. From the end of April 'Monthly Task' reports that have been developed will replace those used previously to collate data for monthly Key Performance Indicator reports. Insights allows the data to be produced in more user-friendly fashion and requires less formatting after production, resulting in a more efficient process.
45. A new iConnect 'dashboard' has been made available for use in the last month, that stores several iConnect related reports in one place and this will also be used in future.
46. Several other minor reports have also been developed and are used to assist with internal processes.
47. Future minor updates will appear for noting in the 'Areas of Improvement' appendix.

### **Recommendation**

48. It is recommended that the Board notes all areas of the report.

### **Equality and Human Rights Implications**

49. None specific

### **Appendix**

Appendix A: Member Self Service Registrations 6<sup>th</sup> April 2022

Appendix B: Heywood Heightened Cyber Threat Document 3<sup>rd</sup> March 2022

Appendix C: Data Quality Scores as at 6<sup>th</sup> April 2022

Appendix D: Areas of Improvement as at 6th April 2022

### **Officers to Contact**

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