City of Westminster

Pension Fund Committee

Date:	**19th March 2020**
Classification:	**General Release**
Title:	**Pension Data Quality Issues**
Report of:	**Eleanor Dennis, Interim Pensions Specialist People Services**
Wards Involved:	**All**
Policy Context:	**Compliance**
Financial Summary:	**Limited**

1.0   Executive Summary

1.1   The Fund and The Pension Regulator has increased their focus on data quality. The key areas of concern for the City of Westminster Pension Fund (COWPF) are Status 1, Status 2 and address gone away.

1.2   Progress has been made to complete more than two thirds of the outstanding Status 1 cases.

1.3   It has been identified that there are more Status 2 cases than previously thought but there are options on how to process these cases at an additional cost to the Fund.

1.4   Tracing of address gone aways has resulted in nearly 500 more up to date addresses for the Fund's members.

1.5   Independent analysis by ITM has provided a further insight into other areas of COWPF's data that the Fund can now work with Surrey to resolve.

2.0   **Introduction**

2.1   The Pension Regulator has placed an increased emphasis on the importance of pension schemes ensuring they have good quality data. This is necessary to ensure that the scheme is managed properly but this cannot be done effectively if records are inaccurate, incomplete or not up to date.

2.2   Over the last 12 months a number of data issues have been identified and the pension specialist has worked closely with the Funds administrators and third parties to analyse, identify and improve the quality of the COWPF data.

2.3   The last data quality report demonstrated a significant improvement in the quality of the data of the COWPF (The scores for 2018/19 show an improvement of 14.5% in the common data score and 22.1% conditional data score respectively but there is still work to do.) It is important the good progress made is maintained and data continues to be closely monitored on a regular basis, to ensure the improvement made continues and the quality improves in the future.

2.4   Managing data is high risk as poor data can have a big impact on members benefits and can be expensive for the Fund if things go wrong.

3.0   **Key areas Data issues identified**

3.1   **Status 2 - Legacy undecided leavers**

Approximately 1500 legacy status 2 cases (pre November 2018) were identified by Surrey and it was agreed that these would be resolved by engaging with a third party provider of the administrator's choice, JLT. Work was slow to commence, and progress was poorly project managed by Surrey. The intervention of the pension specialist enabled better understanding of expectations and an improved relationship, however the inexperience and inefficiently of the JLT 's processes meant that processing by JLT ceased in December 2019. Surrey continued to complete cases that JLT started but did

not finish as a goodwill gesture. Approximately 600 cases have been completed and invoicing for work will be staggered.

3.2   Since then the Fund has asked Surrey to provide an alternative resolution to JLT, on processing the remainder 900 +outstanding cases, plus the additional Status 2 cases recently identified by a third party (ITM). They have confirmed a draft proposal using a temporary resource costing £41,450, and an estimated time to complete of 12 – 15 months. They have in addition recommended the Fund recruit a permanent resource in the role of Data quality Officer at an estimated cost of £24,430 per annum. Please note at this stage Surrey have provided this information with the caveat that an inhouse solution may not be viable, due to the difficulty in recruiting with LGPS experience, BAU impact and focusing on key projects such as I-Connect and regulatory changes due i.e. the McCloud ruling.

3.3   Due to their caveat, Surrey have also recommended data specialist ITM as an alternative solution to all their client's legacy data cleansing. Please see further details in 3.1.

4.0   **Status 1 – Valuation impacting errors**

4.1 The production of the data quality report is a Pension Regulator requirement of all pension schemes to report annually on the quality of their data and produce an improvement plan.

4.2 As a result of the poor data scores of 77.9% common data and 71% for scheme specific data in the 2018 report, the pension specialist worked with and closely monitored Surrey to prioritise working on the Valuation impacting cases first. Surrey were helped by a temporary resource, funded with additional funds of £16k agreed by the Fund.

4.3   These 364 cases were a mixture of undecided leavers, records that needed to be deleted, members still in the scheme but up to date data missing or members who were in the Teachers pension scheme and not Local Government Pension Scheme. Processing ceased in April 2019 as the administrators focused on valuation activities and the departure of the temporary resource. Work commenced again in January 2020 by using experienced existing admin team members at Surrey and to date 260 and a remaining 78 cases hope to be completed by the end of March 2020.

4.4   The 2019 data quality scores demonstrated improved scores of 89.9% common data and 93.1% scheme specific data respectively.

5.0   **Data Tracing**

5.1   Reports from Surrey highlighted there were a significant number of members with no current address recorded (i.e. gone aways). A decision was made to prioritise 2 sections of the membership population; pensioners and deferred's over 55, totalling 753 records by engaging directly with an experienced third party company Target.

5.2 To date 495 addresses have been found and updated on Altair. 14 deaths identified although we were already aware of 11 of these. Work will continue on the remaining 244 cases some of which will proceed to international trace of £70 per case on a no find no fee basis. In addition, 17 cases that were unsuccessful in the pensioner existence exercise have also been forwarded to Target. They have been able to contact 2 pensioners whose contact details remain the same and 1 who had moved, with pensions now to put back into payment.

6.0   Further data analysis

6.1 Given the challenges experienced in tasking Surrey to identify and resolve existing data issues. The interim Pension Specialist has led engagement for a full independent analysis of the Fund's Status 1 and Status 2 's with data specialists ITM, with agreement from the Committee, at a cost of £6,195 (excluding VAT).

6.2 The purpose of the analysis carried out in February 2020, was to enable the Fund to understand the true picture of all data errors/issues, as well as to help with assessing next steps on how to process the outstanding 900 + Status 2 cases, previously intended for JLT to complete.

The analysis proved to be a useful exercise and the results of which are detailed in appendix 1.

6.3 ITM identified that there were 1200+ status 2 records (300 more than the Fund was aware of). These 1200+ cases is high representing 31% of the active membership. ITM have experienced UK based resource to process these cases at a cost of £60,772 and have estimated that this work would take approx. 4 months.

6.4 Other key outcomes identified in the ITM report are as below;

> **76 records are unlinked**
> **51 records containing an incorrect/invalid NI number**
> **32 hold a mismatch of gender vs title**
> **1092 frozen refunds**
> **598 gone away addresses (which includes some actives)**
> **27 records detailing the incorrect employer**

Initial investigations have highlighted that some of the poor data was inherited from Surrey by previous administrators. Others point to gaps in Surrey's processing and discussion with Surrey has already begun to share the results of the analysis and understand how they may have occurred. It has been agreed that a more collaborative approach is required. This will include input from the WCC inhouse pension team to engage with employers on some issues that can be resolved quickly i.e. by engaging with employers on incorrect data held for active members.to resolve the issues and the Fund will be required to decide on how best to approach these data issues.

6.5 ITM have provided a further proposal to resolve the 598 gone away data tracing but we are confident in our existing relationship with Target and propose to   forward a further list to Target focusing in on the frozen refund population.

6.6 In addition, their estimated costs for working through the frozen refund population is £42,588 which they estimate to complete in 4 months. Surrey have confirmed that they would complete the frozen refunds as part of BAU as none are outside of the mandatory 5 year regulatory limit, but the Fund have asked for dates so that this can be monitored.

7.0 Summary

7.1 The collaborative approach of working across all stakeholders in the Fund's data should lead to continually improving data quality score, a better member experience and compliant robust member data for the City of Westminster pension Fund.

7.2 We recommend the COWPF data improvement plan should be expanded to incorporate the results of the ITM analysis. The Fund needs to be mindful of Surrey's challenges and the capabilities and timetable of the BAU team and it may be that a staggered approach to the data processing is taken once the priority of data areas is determined. The plan should ensure that the data issues continue to be monitored to ensure that progress is made within a reasonable time period. ITM have helped to identify key areas for investigation and a decision needs to be made as to what resource is best placed to be the most effective in resolving the issues.