Lancashire Local Pension Board
Meeting to be held on Tuesday, 29 January 2019

| Electoral Division affected: |
| (All Divisions); |

Lancashire County Pension Fund – Data Quality report
(Appendix 'A' refers)

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Executive Summary

The Fund has recently commissioned the Scheme Actuary (Mercers) to prepare a
report in relation to the quality of the membership data for the Fund.

A summary of the report's findings is set out in the Appendix to this report. The full
report will be shared with the Local Pensions Partnership with a view to addressing
the areas of main concern in conjunction with the normal scheduled processes due
as part of the 2019 valuation.

Recommendation

The Board is asked to note the contents of this report.

Background and Advice

The Fund has recently commissioned the Scheme Actuary (Mercers) to prepare a
report in relation to the quality of the membership data for the Fund.

In light of the forthcoming valuation the Fund is keen to focus on the quality of the
Fund's data to ensure the right benefits are paid to members and that the right
contributions are paid by employers. Additionally The Pensions Regulator has
indicated their intention to focus on record-keeping and data quality, and this is likely
to intensify in the coming years.

The report undertaken by Mercers builds on the data work undertaken as part of the
2016 valuation, to allow for the membership profile as at 31 March 2017 and 31
March 2018.

This report highlights the changes in the Fund's data quality since the 2016
valuation. It captures the results of any data cleansing that has been undertaken by
the Local Pensions Partnership since 2016 and will drive the areas of focus ahead of

Lancashire
County
Council

the next actuarial update for both the Fund as a whole, and the individual employers within the Fund.

The report summarises data inconsistencies for the whole Fund and provides a tool to analyse against individual scheme employers highlighting potential issues (i.e. missing salaries / pensions / date of birth etc.).

Where issues are identified, the report can identify the potential impact on liabilities that may emerge as part of the valuation process for a particular employer e.g. the need to apply more prudent estimates etc. where data is missing or inconsistent. It is hoped that by providing these illustrations, employers will be able to see the potential financial impact on their liabilities and the contributions that may emerge as part of the forthcoming valuation and in turn work with the Fund and the Local Pensions Partnership to ensure such issues are minimised.

At a whole Fund level, the liability impact has been estimated to be potentially **£46m** at **2018**, down slightly from **£50m** at **2017** (highlighting the positive impact of the Fund's data work over the year). As previously mentioned the prudent approach undertaken means that these figures will be at the higher end of the potential impact. However the purpose of using this to engage with employers will be to help them understand the impact and the potential cost of not working to resolve the data issues.

For the majority of the Common Data, the Fund is comparing well as it holds a lot of the key information required. The items that have a major impact generally are those where there are key data items missing (pay or pension contributions) with no data available to make a reasonable estimate. For example, at a whole Fund level for active members, £12m out of the overall liability impact figure of £12.6m related to missing accrued pensions and/or missing/dummy salaries.

In terms of the additional pensioner liabilities the report has highlighted a large number of missing or dubious spouses' pensions for pensioner members. This may be a reflection of the spouse's entitlement not being calculated for single members or other historical inconsistencies. This is the main driver of the liability impact for pensioners where prudent approaches will be undertaken by the Scheme Actuary to calculate contingent spouse's benefits. This represents a significant impact to the additional liabilities and will be an area of focus for the Fund working with the Local Pensions Partnership.

As stated earlier the report provides the Fund and the partnership with a tool to analyse specific data issues against individual scheme employers. However the tool also allows for a summarised position of the Fund membership data quality and this is provided on the attached appendix to this report, comparing each year since 2016.

Consultations
N/A

Implications:

This item has the following implications, as indicated:

Risk management

The lack of accurate data could lead to inflated employer contribution rates due to the more prudent assumptions adopted by the Scheme Actuary as part of the 2019 valuation.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper   Date   Contact/Tel
N/A

Reason for inclusion in Part II, if appropriate
N/A