

Pension Fund Committee

Meeting to be held on Friday, 29 March 2019

Electoral Division affected:
(All Divisions);

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 are shown in Appendix A. The full report has been 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 Committee is asked to note the contents of this update.

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. The findings of which were recently shared with the Local Pensions Board members.

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 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 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 maybe 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 in the future, working in conjunction 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
Annual summary of Fund membership data quality	14/11/2018	Abigail Leech, (01772) 530808
Reason for inclusion in Part II, if appropriate		
N/A		