

Lancashire County Pension Fund - Member Tracing Policy and Benefits for Absent Members
(Appendix 'A' refers)

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Executive Summary

At its meeting on 18 January 2016 it was agreed that the Board should consider the Fund's Member Tracing Policy at its next meeting. This followed a report of the recent self-assessment against The Pensions Regulators new code of practice for public service pension schemes; Code 14. The report suggested that further consideration should be given to undertaking an exercise to improve address data in respect of deferred scheme members.

The current policy (Appendix 'A' refers) sets out the steps taken by Your Pension Service (YPS) when a member is identified as missing and is reliant upon the Department for Work and Pensions (DWP) tracing service.

The recent self-assessment highlighted a significant number (5,205) of deferred scheme members where address details are known to be inaccurate. Further investigation has revealed that 114 deferred scheme members are eligible for payment of benefits but cannot be traced. It should be noted that, where a missing member reaches retirement age and cannot be traced, the benefits are backdated to the actual retirement date and interest applied when the member is found.

The new guidance contained in Code 14 became effective from 1 April 2015 and it would seem appropriate now to consider the specific guidance at section 208, i.e. that: -

"Schemes should attempt to make contact with their scheme members and, where contact is not possible, schemes should carry out a tracing exercise to locate the member and ensure that their member data are up-to-date."

However, contacting missing members and updating records is both resource-intensive and relatively costly. DWP charges £4.26 per chase. Therefore the potential cost of undertaking such a tracing exercise needs to be considered against the relative importance of tracing deferred scheme members, particularly those members not close to retirement age.

Nonetheless, the numbers involved are significant and further consideration could be given to undertaking an exercise, using more cost effective tracing services, in order to improve address data and in particular to further attempt to trace those members eligible for the immediate payment of benefits.

Recommendation

The Board is asked to consider the current policy, and in particular the reliance placed upon the DWP tracing service, with a view to recommending to the Pension Fund Committee that:

- (i) Other tracing services could be explored in order to reduce the current volume of missing members where this is a cost effective alternative to the DWP tracing service and;
- (ii) A special exercise is carried out in order to trace the missing deferred scheme members currently eligible for the immediate payment of benefits, using an alternative tracing service.

Background and Advice

The Pensions Regulators (TPR) Code 14 provides practical guidance in relation to the exercise of functions under relevant pension's legislation and sets out the standards of conduct and practice expected from those who exercise those functions.

A self-assessment has been undertaken to assess how the Fund measures in terms of compliance with Code 14 and indicated that the Fund largely complies with Code 14.

In terms of data quality, TPR has specified that a scheme's 'common data' be at least 95% accurate. The Fund is just ahead of this target at 96.3% but for a significant number (5,205) of deferred members, i.e. members not currently working for scheme employers, and with whom ongoing contact is notoriously difficult, address details are known to be inaccurate.

Further investigation has also revealed 114 deferred scheme members that are eligible for payment of benefits but cannot be traced. It should be noted that, where a missing member reaches retirement age and cannot be traced, the benefits are backdated to the actual retirement date and interest applied when the member is found.

The current Tracing Policy (Appendix 'A' refers) sets out the steps taken by YPS when a member is identified as missing. Regular attempts are made to contact these members, the majority of whom are years away from claiming their pensions, and the policy relies upon the DWP tracing service.

However, the new guidance contained in Code 14 became effective from 1 April 2015 and it would seem appropriate now to consider the specific guidance at section 208 of the code, i.e. that: -

"Schemes should attempt to make contact with their scheme members and, where contact is not possible, schemes should carry out a tracing exercise to locate the member and ensure that their member data are up-to-date."

That said, contacting missing members and updating records is both resource-intensive and relatively costly. DWP charges £4.26 per chase. Therefore the potential cost of undertaking such a tracing exercise needs to be considered against the relative importance of tracing deferred scheme members, particularly those members not close to retirement age.

Nonetheless, the numbers involved are significant and further consideration could be given to undertaking an exercise, potentially using more cost effective tracing services, in conjunction with the DWP tracing service, in order to improve address data and in particular to further attempt to trace those members who are eligible for the immediate payment of benefits.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

There are no significant risk management implications.

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

Paper	Date	Contact/Directorate/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A