

Pension Fund Committee

Meeting to be held on 10 June 2016

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| Electoral Division affected: All |
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Tracing Missing Members Procedure

Contact for further information:

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Executive Summary

Your Pension Service has procedures in place to trace members of the Fund where their last recorded address is known to be inaccurate.

Following a self-assessment exercise to assess compliance against The Pensions Regulator's new Code of Practice for public sector pension schemes, the Funds data was assessed to be more than 96% compliant against a target of 95%.

However, 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.

The new Code of Practice became effective from 1 April 2015 and, following the self-assessment, it would seem appropriate now to consider the specific guidance relating to data quality which is set out at section 208 of the Code, 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."

In addition, the Lancashire Local Pension Board has recommended that the Pension Fund Committee approves a tracing exercise, to locate missing deferred scheme members, every three years in line with the valuation process.

Recommendation

The Pension Fund Committee is recommended to approve:

- (i) That a missing member tracing exercise be undertaken every three years in line with the actuarial valuation process;
- (ii) That such an exercise be carried out by the most cost effective means possible;
- (iii) That the Fund's Communication Policy Statement is amended to reflect this additional communications exercise;
- (iv) That the Interim Head of Fund be authorised to amend the Communications Policy Statement as set out in (iii) above.

Background and Advice

The Government has extended the role of The Pensions Regulator (TPR) to provide independent oversight of public service pension schemes. As part of its new role, TPR is required to issue a code of practice covering specific matters relating to public service pension schemes. Consequently, 'Code of Practice No. 14: Governance and administration of public service pension schemes' has been issued and has effect from 1 April 2015.

Code 14 provides practical guidance in relation to the exercise of functions under relevant pension legislation and sets out the standards of conduct and practice expected from those who exercise those functions.

A self-assessment has been undertaken by Your Pension Service to assess how the Fund measures in terms of compliance with the code. The self-assessment indicates that the Fund largely complies with Code 14 although it is important to note that the Fund was already compliant with the relevant legislation prior to the introduction of the Code.

However, the self-assessment has highlighted that further work could be undertaken in respect 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%. However, 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.

Regular attempts are made to contact these members, many of whom are years away from claiming their pensions. Added to this, attempts at contacting and updating records are resource-intensive and relatively costly (The Department for Work and Pensions (DWP) charges £4.26 per chase). In considering this matter, the Fund should consider both the relative importance of such data and how much resource it can put into obtaining up to date data which is most likely to change again before retirement. Nonetheless, the numbers involved are significant and consideration should be given to undertaking an exercise to improve address data in respect of deferred scheme members.

Code 14 became effective from 1 April 2015 and, following the self-assessment, it would seem appropriate now to consider the specific guidance relating to data quality which is set out 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."

At its meeting on 11 April 2016, the Lancashire Local Pension Board (LPB) considered a report setting out details of Your Pension Service's current Member Tracing Procedure and agreed to recommend to the Pension Fund Committee that a

tracing exercise, to locate missing deferred scheme members, be undertaken every three years in line with the valuation process.

The LPB's recommendation should be considered in the context of the forthcoming actuarial valuation of the Fund. This because the assessment of the Funds liabilities and ultimately the determination of the funding ratio is dependent on good, clean, quality, up to date data. It should be noted that postcodes are sometimes used in an exercise to calculate fund specific mortality expectations, should the need arise.

The Committee is recommended to commission a missing member tracing exercise to be undertaken every three years in line with the actuarial valuation process and that such an exercise be carried out by the most cost effective means possible.

The Committee should also note that, for completeness, the Fund's formal Communication Policy Statement should be amended to reflect this additional communications exercise.

Consultations:

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Legal

There is the risk of non-compliance with TPR data quality requirements if no action is taken. It is likely that inaction will further exacerbate the problem of missing members and more members leave the Scheme and become deferred members.

Financial

A cost comparison exercise should be carried out initially in order to determine the most economical means of undertaking such an exercise.

A preliminary estimate indicates that an exercise over a period of 6 months will cost approximately £46,000. This estimate uses the known cost of the DWP Tracing Service and an estimate of the resource required over 6 months to carry out the exercise and deal with responses.

Based on current numbers of missing members the cost is likely to be: -

$£4.26 \times 5,205 = £22,173.30$

$2 \times \text{Grade 5 @ } £19,742 \text{ pa} + \text{on costs of } 20\% = £23,690.40$

Total cost of an initial exercise £45,864.00

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

| Paper | Date | Contact/Directorate/Ext |
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| Reason for inclusion in Part II, if appropriate | | |
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