



South Tyneside Council

Local Pension Board

Date: 20th October 2021

Data Quality – Annual Report (for information and discussion)

Report of the Head of Pensions

Purpose of Report

1. This report updates the Board on matters concerning data quality in respect of pensions administration and member benefits.
2. The Board is recommended to note this report.

Background

3. In order to administer the LGPS and calculate and pay members benefits certain elements of data are required. Various pieces of legislation set out what these are and how they should be managed.
4. Since taking on the role of overseeing governance and administration of the LGPS, the Pensions Regulator has introduced a number of codes, guidance notes and requirements.
5. The key and most significant requirements for data quality are set out in the following regulations and compliance codes:
 - The Public Service Pensions Act 2013 and The Public Service Pensions (Record Keeping and Miscellaneous Amendment) Regulations.
 - The current Pensions Regulator (TPR) Code of Practice No.14, governance and administration of public service pension schemes. This code itself is not a statement of law but we must ensure that we meet the underlying requirements. Penalties may be imposed if these requirements are not met. It should be noted the Regulator is undertaking a review of its practice codes the with a view to consolidation into a single code. The draft single code that is intended to replace Code of Practice No.14 has been a draft published and consulted on. The new code may lead to additional controls around system upgrades, which would not lead to any concerns.
 - TPR record keeping guidance including common and scheme specific (previously known as conditional) data scores.

Data Collection

6. The data required to administer the Scheme originates from various sources. Predominantly the Scheme employer provides most of the member data. Information is also collected from members and/or their representatives and third parties such as HMRC and other pension providers.
7. The vast majority of data collected from employers is via secure electronic processing. This is either by:
 - bulk data imports for large volumes
 - online forms within our employer web services facility.
8. The data provided by Scheme members is either by telephone (subject to security clearance), paper forms, or via our secure member online service known as “mypension”. Submission by secure electronic means is increasing and due to inbuilt validations, data quality can be controlled and improved.
9. We advise members not to send us personal information via email and actively promote the use of mypension.

10. Information supplied by third parties comes in both electronic and paper form.

Data Held

11. Member data is stored in a database integral to the Civica UPM Pension administration system. This sits within South Tyneside Council's secure IT network. The contract for this administration system is in place until March 2029 and can be extended for a further three years if required.

12. We currently hold 174,000 records in respect of members who are either are in receipt of a pension or are due benefits or a possible refund. We hold a further 141,000 records for previous members of the Scheme who or are either deceased, have transferred to another pension scheme or have received a full refund of their contributions.

Data Quality

13. Record keeping is a vital part of running a scheme and failure to maintain complete and accurate records means a risk of failing to meet our legal obligations. Poor record keeping can have a huge impact on members and can be very expensive if things go wrong because of bad or missing data.

14. Poor member data can also impact on Fund valuations and the setting of employer contribution rates.

15. Presence and quality of data are both equally important. The following controls are in place to ensure this:

- Standard file layouts for all bulk imports and individual online web forms to ensure all required data is captured
- Validations within the above to ensure all information is present and in the correct format
- Standard paper forms for members and employers, where electronic processing is not appropriate or developed
- Member tracing services where we lose touch with a member
- Participation in the National Fraud Initiative
- Online access to pensions records, allowing employers and members to check their data
- The Actuary undertakes a data validation process as part of the triennial valuation
- Annual data reviews resulting in data improvement plans.

16. The Fund's move to electronic processing and use of validations has greatly assisted with improvements to data quality and good record keeping.
17. It is recognised by the Pensions Regulator that monthly contribution posting, which identifies new starters, leavers and changes each month, can assist with data quality.
18. Although other funds have already developed this, the Fund has needed to consider the timing of this development to tie in with the pending expiry of the pensions administration software contract.
19. Now the future software provider is known the Fund has commenced the project to move towards monthly contribution posting. The move will be in incremental stages and as a minimum a pilot will commence in 2022/23.

The Pension Regulator's Data Scoring Requirements

20. The Regulator recognises that there are two types of data held in pension scheme records:
 - Data used to identify scheme members, such as name, address national insurance number. Referred to as **common data**
 - Data specific to the scheme and used to calculate benefit entitlement and other transactions. Referred to as **scheme specific data - previously known as conditional data**
21. The Regulator expects schemes to carry out a data review at least annually to determine the presence and quality of both categories. If poor quality or missing data is identified, then a data improvement plan needs to be put in place.
22. The importance of good data is a message that is regularly reinforced by the Regulator and included in guidance notes, presentations and very recently within the report on the findings from the Pensions Regulators review into the administration Local Government Pension Funds.
23. Whilst historically questions in respect of common and scheme specific data have been included the Regulator's discretionary annual surveys, no formal monitoring had been in place for the LGPS. In July 2018 the Regulator introduced a requirement for all LGPS funds to provide their common and scheme specific data score in the mandatory Annual Scheme Return, which is submitted in November each year.
24. In order to be able to fairly compare each fund's data there needs to be consistency within the data items included in the scores. The data set for common data is relatively simple to define. However, scheme specific is more challenging. Whilst the Regulator set a requirement to declare a score the standard data set was not provided.

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25. In light of this, the Local Government Association (LGA) undertook the task of establishing the standard basis on which to score data. However, it was not possible to agree such a standard approach in the first year of scoring data.
 26. In the absence of an agreed approach, administering authorities were advised to adopt their own approach and, if necessary, to liaise with their software provider and/or actuarial adviser on how best to meet the survey's requirements on data.
 27. In response to this the Fund developed and used its own internal reports to measure data that is needed to ensure correct calculation and payments of benefits, which is at the heart of data quality.
 28. In summer 2019 the Local Government Association issued a list of Scheme specific data that LGPS Funds should use to check their data against. However, the Fund was been unable to implement them and has continued with its own reporting. This delay in adopting was initially due to confidence in the validity of the standards and more recently resources and uncertainty around the software contract. It is now accepted that these will become the standard across the LGPS.
 29. It is planned that the Fund will move to the standard reporting during 2022 and will be in advance of and in time for the November score that will be declared to the Regulator.
 30. When first implemented, due the increased automation, the Fund will run more regular data checks and in the first instance undertake a comparison between both methods to identify any material differences in the results so that any corrections can be made prior to reporting to the Regulator.

The Fund's Data Position:

Common data

31. The Fund has measured common data since 2012 and Scheme specific since 2018. The latest review was undertaken in late September 2021. The table below scores current and historical scores.

	2018	2019	2020	2021
Common Data	99.4%	99.7%	99.8%	99.8%
Scheme Specific	90.0%	97.8%	98.1%	98.7%

32. It should be noted that when the standard data set referenced above is implemented, scores may be different from those derived from the Fund's approach. This may be due to the need to count different data sets and not discount any missing data that is deemed not material or relevant to benefit

processing or cannot be obtained due to historical events. This may result in a reduction in scores.

33. The Fund has made representations to the LGA and TPR that the scoring for scheme specific data should only count material and relevant data fields. However, there does not appear to be an appetite to change.

Rolling Data Improvement Plan

34. Following the annual data scoring exercise, the Fund's data improvement plan is updated to ensure correction or collection of data identified in the above reviews and presented to the Board. A draft of data issues from the recent scoring exercise is appended to this report. In order to refresh and update the improvement plan any outstanding actions need to be carried forward and then prioritised to align with statutory deadlines and work priorities.
35. The data improvement plan continues to be a live document throughout the year and will be updated following any reviews or actions.

Data Quality at the Valuations

36. As noted above in point 17, the Fund's Actuary, Aon undertakes a data validation exercise as part of the valuation exercise.
37. Based on this analysis, Aon has confirmed that the quality of the Fund's data submitted for the 2016 valuation was of a high standard and significantly better than average.
38. As part of preparation for the 2019 valuation the Fund undertook a data review with Aon in advance of the 2019 valuation data extract. Actions identified were incorporated into the data improvement plan and subsequently rectified. This helped reduce the number of queries at the time of the valuation and improved the timetable for providing results to employers.
39. As the Fund moves towards the 2022 valuation advance preparation has began. In conjunction with the Fund's Actuary we are undertaking a review of data as at 31 March 2021. This will provide an opportunity to identify and correct any issues in advance of the 31 March 2022 data extract.
40. One area of concern is the McCloud remedy and timeliness and quality of member data updates provided by employers. A significant number of data changes may be required. However, robust systems, controls and processes are in place to manage data quality and accuracy.

Data Retention

41. In addition to quality of data there are requirements on the Fund to ensure that any data held is needed and is not held longer than necessary. Management of this is set out and controlled in the Fund's Retention Schedule.

42. This was reviewed in 2018 at the time of the introduction of the General Data Protect Regulations (GDPR).
43. Historically and currently the Fund keeps all data. This is because a query can arise at any time and may relate to historical periods. A query in respect of a beneficiary can have a direct link to the Scheme member. Deletion of data would prove problematic.
44. Following GDPR the Local Government Association (LGA) provided the following guidance on data retention in respect of scheme member data.

Personal data will be retained for the greater of:

such period as the Member (or any Beneficiary who receives benefits after the Member's death) are entitled to benefits from the Fund and for a period of [15 years] after those benefits stop being paid;
100 years from the Member's date of birth;
100 years from the date of birth of any Beneficiary who received benefits from the Fund after the Member's death.

45. Although the LGA recommendation is that pension funds consider proactively putting in place a policy with defined period(s) beyond which personal data will not be held, there are a number of issues facing the Fund, including:
 - Managing the deletion of data after a specific time period. Systems are not currently set up to efficiently manage this.
 - Transition from legacy systems as data may not be correctly recorded or indexed. To rectify this would require significant resources.
 - Recording that the data has been deleted.
 - Long term nature of pension liabilities
 - Scheme changes that may alter requirements to retain data in the future. McCloud remedy is an example of this.
46. For the reasons above the Fund continues with its current practice of retaining all data but will keep the position under review. It is understood that this approach is in line with other funds.

Recommendations

47. The Board is recommended to note the report.

APPENDIX

Draft data issues – 2021 exercise – Improvement plan to be updated

Common Data ran Sept 2021	Score 99.83 %
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Scheme Specific Data ran Sept 2021	Score 98.67%
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Date Updated	Source	UPM Folder Status	Issue	No of Cases	Methodology	Resource	Timescale	Success Criteria	Date complete	Comments
	Common Data	A / D / P	Missing Postcodes	11	Use postcode “look up” to obtain data	Comms		Reduction in number of missing postcodes		
	Common Data	P / PR	Member has no address	11	Review records and update with latest known address	Comms				
	Common Data	A	Missing Scheme retirement date	1	Complete ongoing process and check record update	Ops				
	Common Data	A / PR	Last entry on status history does not match UPM folder status	6	Complete processes to resolve mismatch	Ops				All fails have processes running
	Common Data	A	Gender is not male or female	2	Complete processes to resolve mismatch	Ops				All fails have processes running
	Common Data	B	Duplicate NINO	10	Check records and obtain and update with unique NINO for each different person	Ops		No 2 people on database with same NINO		
	Common Data	A	Active members with invalid or TN NINO	26	Follow up with employer to request correct data.	Comms / Ops		Reduction in number of temporary NI numbers		
	Common Data	D	Deferred members with invalid or TN NINO	4	Review file for valid NINO. Follow up with employer if recent leaver else write to each member once to	Comms / Ops		Reduction in number of temporary NI numbers		

					request correct data				
	Common Data	B	Beneficiary members with invalid or TN NINO	214	Review file for valid NINO .Write to each beneficiary once to request correct data (is this cost prohibitive)	Comms / Ops		Reduction in number of temporary NI numbers	
	Common Data	PR	Preserved refund members with invalid or TN Nino	21	Review file for valid NINO . Follow up with employer if recent leaver else write to each member once to request correct data. Offer payment of refund again in same communication?	Comms / Ops		Reduction in number of temporary NI numbers	
01.10.20 21	Scheme Specific Data	A	Transfer in without payment amount	1	Review and update record	Technical team			
01.10.20 21	Scheme Specific Data	A	Pre 1.4.21 joiner without 2021 care earnings	312	Review records and, unless a leaver process is running, update earnings view from annual return data or request missing data from employer where necessary. Ensure records have earnings recorded for all previous years	Ops - Should be picked up as part of 2021 care revaluation error exercise.		No earnings records for pre 1.4.21 joiners with missing care earnings	
01.10.20 21	Scheme Specific Data	A	Pre 1.4.21 joiner without 2021 contributions posted	304	Review records and, unless a leaver process is running, update contributions view from	Ops		Reduction in number of records for pre 1.4.21 joiners with missing contributions	some of these cases may also appear in missing care earnings / missing

					annual return data or request missing data from employer where necessary.				final pay and missing care benefits categories
01.10.2021	Scheme Specific Data	A	Pre 1.4.14 joiner without 2021 final pay entry	51	Review records and, unless a leaver process is running, update earnings view from annual return data or request missing data from employer where necessary. Ensure records have earnings recorded for all previous years	Ops		Reduction in number of records for pre 1.4.14 joiners with missing final pay entry for 2021	
01.10.2021	Scheme Specific Data	A	CARE earnings are 0 but conts are neither 0 or Null	2	Review records and update				
01.10.2021	Scheme Specific Data	A	Pre 1.4.2021 joiners without 2021 care entry	377	Find cases where no leaver process running. Ensure care earnings view is updated with 2021 annual return data or request from employer where necessary. Will also need to check for any previous years missing care entries and request and update. Will then need to arrange to run care revaluation for 2021	Should be picked up as part of 2021 care revaluation error exercise.		Reduction in number of records with missing care earnings	

01.10.20 21	Scheme Specific Data	A	Care benefit record does not show correct revaluation rate for 2021	15	Review incorrect entries and update where necessary. If revaluation has not been applied arrange for 2021 care revaluation to be run	Ops		All care records have correct revaluation rate	
01.10.20 21	Scheme Specific Data	A/P	Member with ARC / APC regular contract without expected end date	5	Review and update record	Technical		All records with APC contracts show full contract information	
01.10.20 21	Scheme Specific Data	A/P	Member with APC Regular / LS contract without service/pension	3	Review and update record	Technical		All records with APC contracts show full contract information	
01.10.20 21	Scheme Specific Data	A/D/P	Member with APC lump sum contract without expected end date	5	Should not be material to benefit calculation as single one-off payments are accounted for in year of start date but review records and update	Technical		All records with APC contracts show full contract information	
01.10.20 21	Scheme Specific Data	A/D	No contracted-out date held on upm folder for pre 2016 joiners	25					
01.10.20 21	Scheme Specific Data	B	Latest entry on pension history is not shown as 'Current'	1	Review and update record	Ops Teams to review cases		All beneficiary records updated	Passed to Team 2
01.10.20 21	Scheme Specific Data	B	Pension history not updated with 2021 pensions increase	1	Review records and update	Ops Teams to reviews and correct payments		All pensioner records current and fully updated pension values	Passed to Team 2
01.10.20 21	Scheme Specific Data	D	Post 31.3.14 leavers without any care earnings recorded on deferment table	35	Review records and update.	Technical team		Reduction in records with care earnings missing from deferment table.	
01.10.20 21	Scheme Specific	D	Pre 14 Joiners without final pay recorded on	5	Review records and update	Technical team		Reduction in records with final pay missing from deferment table	

	Data		deferment table						
01.10.20 21	Scheme Specific Data	D	2021 pension increase missing from member deferred pension	5	Review records and update	Technical team as part of data clean exercise for 2021 pensions increase		All deferred records are current and fully updated with pension values	
01.10.20 21	Scheme Specific Data	D	2021 pension increase missing from member contingent spouse pension	2	Review records and update	Technical team as part of data clean exercise for 2021 pensions increase		All deferred records are current and fully updated with pension values	
01.10.20 21	Scheme Specific Data	PEX	Pension credit awarded in respect of post 14 service but no post 14 pension element on retirement table	1	Review records and update. Ensure that pension history contains basic pension and care pension elements where appropriate	Ops teams to review cases and confirm to Technical value of pre and post 14 pension to be recorded.		All pension credit member records contain correct value of post 14 pension at date pension commenced where appropriate	
01.10.20 21	Scheme Specific Data	P	Pensioner where member joined before 1.4.2014 without final pay entry on retirement	9	Review records and updated.	Technical		All pensioner records for pre 1.4.14 joiners have final pay recorded on retirement	
01.10.20 21	Scheme Specific Data	P	Post 31.3.14 leavers without any care earnings recorded on retirement	42	Review records and update	Technical		Reduction in records with care earnings missing from retirement table.	
01.10.20 21	Scheme Specific Data	P	Retirement table for pensioner who joined before 1.4.08 does not contain lump sum element	172	Cases excluded where date pension commenced < 1.4.1992 (records were created from former payroll record where this information would not have been available)	Technical		Reduction in number of records with missing lump sum element	
01.10.20 21	Scheme Specific Data	P	Post 14 retirement - pension history record does not contain 1st	26	Review and update record	Technical / Ops		All pensioner records are current and fully updated with pension values	20 cases NCG formerly Kidderminster /

			April after dol entry for member pension						Carlisle College - previously referred to Ops
01.10.20 21	Scheme Specific Data	P	Post 14 retirement - pension history record does not contain 1st April after dol entry for spouses' pension	24	Review records and update	Technical / Ops		All pensioner records are current and fully updated with pension values	18 cases NCG formerly Kidderminster / Carlisle College - previously referred to Ops
01.10.20 21	Scheme Specific Data	P	Latest entry on pension history has incorrect pension elements	2	Review records and update	Ops		All pensioner records are current and fully updated	Cases passed to Ops Teams
01.10.20 21	Scheme Specific Data	P	Post 050406 leavers with no LTA amount	67	Review records and update	Ops		All pensioner records fully updated	All cases NCG formerly Kidderminster / Carlisle College
01.10.20 21	Scheme Specific Data	P	Post 050406 leavers with duplicate LTA amounts	11	Review records and update	Tech		All pensioner records fully updated	
01.10.20 21	Scheme Specific Data	DEX	Only 3 records are complete, the rest need to be updated with deferment details and pension history details	126	Review records and update. Also ensure all records have date joined and date left	Ops to advise Technical of data required to set up fully updated record		All DEX records fully updated	

Data Quality

The following is a list of the background papers (excluding exempt papers) relied upon in the preparation of the above report:

Background Paper	File Ref:	File Location
TPR Public Service Code of Practice No.14	N/a	www.tpr.gov.uk/code14
The Public Service Pensions Act 2013 and The Public Service Pensions (Record Keeping and Miscellaneous Amendment) Regulations	N/a	www.legislation.gov.uk/uksi
TPR Record Keeping Guides	N/a	www.tpr.gov.uk/ps-record-keeping
Civica UPM Manuals	N/a	Pensions Office
Aon Files	N/a	Pensions Office