

Managing Data, a Key & Difficult Issue

Local Pension Boards – One Year On

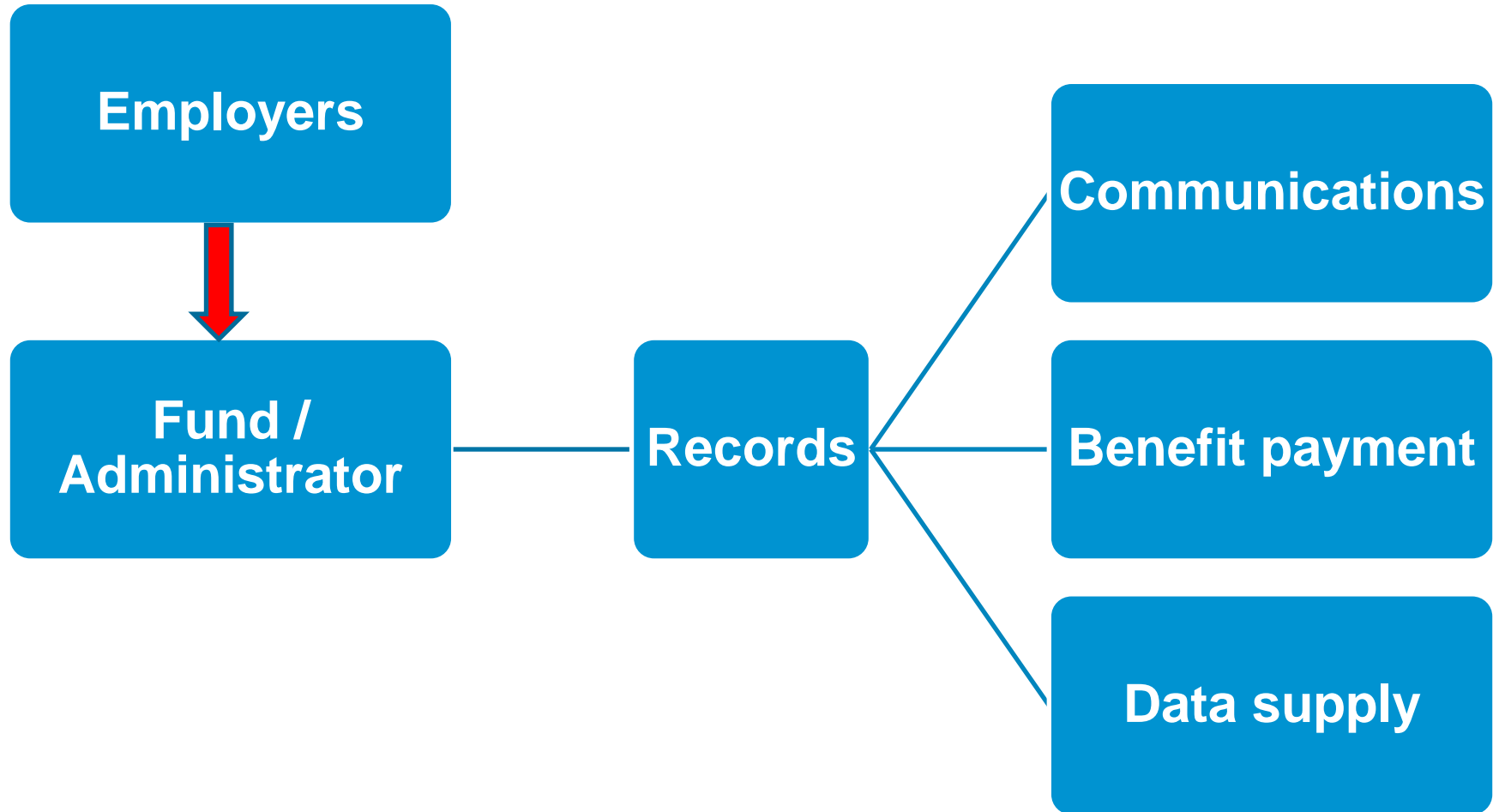
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Agenda

- Data: the issue
- Reasons to get it right
- What can be done to get it right
- How can you, the pension board, help?

Data: the issue



Data: the issue

- A new LGPS 1 April 2014
- Increased complexity
- Increasing employers & transactions
- Other issues
- Funds under the spotlight

The LGPS, an increasingly complex scheme

2008 Scheme	2014 Scheme
Final salary, buys service	Career average, buys amounts of pension revalued each year
Accrual rate 1/60 th	Accrual rate 1/49 th ↑
Pension: Service x final pay x 1/60 th	Pension: Pensionable pay per year x 1/49 th annual revaluation add each year together
Lump sum: Commutation of pension at 1:12	
Plus pre 01/04/08 membership: Pension: service x final pay x 1/80 th Lump sum: service x final pay x 3/80 th	Plus pre 01/04/08 & pre 01/04/2014 membership as per previous column

The LGPS, an increasingly complex scheme

2008 Scheme	2014 Scheme
Pensionable pay: Pay excluding non contractual overtime / hours	Pensionable pay: Pay including non contractual overtime / hours
	Assumed Pensionable Pay
	50/50 section
Pay counts in the period relates to	Pay counts in the period received
Normal retirement age: 65	Normal retirement age: 65 increasing with State Pension Age
Transitional issues, 85 year rule and underpin	

Increasing employers & transactions

	2014	2015	Increase	Average inc per Fund
Employers	10,671	11,801	1,130	12
Active Members	1,819k	1,870k	51,000	560
Deferred Pensioners	1,723k	1,798k	75,000	1,230
Pensioners	1,459k	1,487k	28,000	308

Source: Scheme Report 2015

Reasons to get it right – a legal duty

The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulation 2014

- Member information records
- Scheme transactions records
- Pension Board meetings & decisions records
- All to be up to date & 100% accurate

Other legislation includes

- Data Protection Act 1998
- 3 Pensions Acts
- 3 sets of Occupational & Registered Pensions Schemes Regulations

Reasons to get it right – tPR

The Pensions Regulator & Code of Practice 14

- Scheme record keeping in tPR's top 3 risks
- Part of tPR's 2016/2017 focus
- As a minimum review data quality annually
- Requirement to report breaches of the law

Reasons to get it right - administration

Administration deadlines for example

Provide information to members to legal deadlines

Issue annual benefit statements by 31 August

Issue pension savings statements by 6 October

Complete triennial valuation as at 31 March 2016
by 31 March 2017

Provide the Scheme Actuary with data as per Treasury
Directions

Pay benefits **accurately** when due / reduced costs

Reasons to get it right – accurate benefits

Member's pension: Value of 1 year's accrual in 10 years

Year 1

$1/49 \times \text{£}26,000$ pensionable pay = $\text{£}530.61$ pension

$1/49 \times \text{£}24,500$ pensionable pay = $\text{£}500.00$ pension

Year 2

$\text{£}530.61$ plus revaluation at 1.2% = $\text{£}536.98$ pension

$\text{£}500.00$ plus revaluation at 1.2% = $\text{£}506.00$ pension

Year 10

Assuming annual revaluation at 1.2%

Pension = $\text{£}590.75$

Pension = $\text{£}556.67$

**$\text{£}1,500$ pay inaccuracy =
pension reduction of $\text{£}34.08$
per year increasing by PI**

Reasons to get it right - consequences

Include:

Scheme Advisory Board

Key Performance Indicators: 4 core; 14 supplementary
Voluntary 2015, Compulsory 2016

Fund Valuations

Incorrect data leads to inaccurate liabilities leads to
incorrect employer contribution rates & exit payments
Triennial valuation due as at 31 March 2016

Cost Cap Valuations

Incorrect data could lead to incorrect trigger of cost cap

Sanctions

TPR: Improvement notices, report requests, civil penalties
Adverse publicity & reputational risk

What can be done to get it right

Employer engagement & data processing methods

Employer guides, training & workshops

Employer education & engagement is vital

Use of Pensions Administration Strategy

Regulation 70 charges

Increased automation of data flow & checking

Monthly posting

Data checking programmes, data improvement plans

Sufficient resource

The Pensions Regulator!

How can you, the pension board, help?

The LGPS Regulations say Board's role is:

To *assist* the administering authority to:

- **secure compliance with:**
 - ✓ **LGPS & other legislation relating to Scheme governance & administration**
 - ✓ **requirements of the Pensions Regulator**
- **ensure effective & efficient governance & administration of the Scheme**

How can you, the pension board, help?

And that....

“A local pension board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions”

How can you, the pension board, help?

Know the issues and the consequences



Administration focus



Working together to assist & add value



A role for employer representatives?



Group discussion – 3pm

Regulatory Information

- **The information in this presentation is based on our understanding of current taxation law, proposed legislation and HM Revenue & Customs practice, which may be subject to future variation.**
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