

**Administration and regulatory updates****Responsible Officer** Rebecca PurfitEmail: [rebecca.purfit@shropshire.gov.uk](mailto:rebecca.purfit@shropshire.gov.uk)Tel: 01743 254457

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**1. Summary**

The report provides Pension Board Members with the latest administration and regulatory updates affecting the Local Government Pension Scheme (LGPS).

**2. Recommendations**

Pension Board Members are asked to note the contents of this report.

**REPORT****3. Risk Assessment and Opportunities Appraisal****3.1 Risk Management**

By ensuring the guidance and legislation mentioned in this report is followed and adhered to risks to the Fund are minimised.

**3.2 Human Rights Act Appraisal**

The recommendations contained in this report are compatible with the Human Rights Act 1998.

**3.3 Environmental Appraisal**

There is no direct environmental, equalities or climate change consequence of this report.

**3.4 Financial Implications**

Currently there are no direct financial implications arising from this report.

**4. Administration topics covered at Pensions Committee on the 23 June 2017**

- 4.1** The Pensions Board are advised to note the Pensions Administration Report to pension committee on 23 June 2017 which included updates on;

- Scheme Advisory Board – published its 2016 Annual Report for the LGPS in England and Wales
- Performance and Team statistics for the Pension Administration Team
- Contracted Out Reconciliation exercise
- Pensions Increase for April 2017
- The results of the Regulator's 2016 governance and administration survey

## **5. Launch of new administrator website by Local Government Association**

- 5.1** On Monday 15th May, the new LGPS administrator website, [www.lgpsregs.org](http://www.lgpsregs.org) was launched. The main changes made to the site were summarised in a document circulated by the Local Government Association (LGA), attached as **Appendix A**. The website is the main source of information for LGPS Scheme administrators. The Pensions Board may wish to familiarise themselves with the new layout.
- 5.2** Since the launch, the timeline Regulations (where the LGPS regulations are all listed) have been updated to take into account the latest statutory updates and also now include a timeline version of the Investment Regulations 2016.

## **6. Pensions dashboard**

- 6.1** As reported in the February 2017 administration report the Government announced in 2016 that it intended to ensure that the pensions industry would, by April 2019, design, fund and launch a 'pensions dashboard'. This would allow individuals to view all their pensions' savings in one place; and to be able to keep in touch with multiple pension arrangements/providers.
- 6.2** HM Treasury appointed the Association of British Insurers (ABI), in autumn 2016, to lead the development of a prototype pensions dashboard by the end of spring 2017. A project group was created to assist the ABI with this.
- 6.3** During April and May 2017, the project group have launched the prototype dashboard at a number of events held around the country. A website has also been set up to demonstrate the prototype and how it works - <https://pensionsdashboardproject.uk>.
- 6.4** Whilst the prototype demonstrates that the Dashboard is possible from an IT perspective, the LGA, still have major questions outstanding, including:

- Legislation – will it be compulsory for pension schemes to participate?
- Funding – how will the costs of establishing and maintaining the Dashboard be met?
- Data – what data will members be able to find on the Dashboard and what will be the security arrangements to ensure the data is not compromised?
- Governance – who will regulate the Dashboard on an ongoing basis?

**6.5** Although this project is in its infancy, on 17 May 2017 the ABI announced an interim phase of the Dashboard project; so as not to lose momentum during the recent general election. The interim phase has four main aims:

- To establish a cost benefit analysis for the wider industry.
- To research customer needs and establish what features people are likely to find most useful in a dashboard.
- To establish the requirements and costs for a secure end-to-end service between data providers and data consumers.
- To further develop the technical data standards for all firms and work with PASA (the Pensions Administration Standards Association) on agreeing a Code of Conduct in line with requirements from The Pensions Regulator.

**6.6** The Pensions Board will be provided with further updates on the development of the Dashboard as the project develops.

## **7. Number of ill health retirements in 2016/17**

**7.1** Following the report provided to the February 2017 Pensions Board members requested that the total number of ill health retirements which occurred during 2016/17 should be reported at this meeting:

	2016/17
Active Members	10 Tier 1 - 9 cases Tier 2 – 0 Tier 3 – 1 case
Deferred Members	7

## **8. Data Accuracy**

**8.1** The Fund has previously highlighted that it is working to meet the requirements set out in The Pensions Regulator's (TPR) Code of

Practice 14. The results of the Regulator's 2016 governance and administration survey of public service pension schemes highlighted that TPR expect all schemes to undertake an annual data review and put an improvement plan in place (if required). TPR will consider enforcement action where scheme managers fail to demonstrate that they are taking appropriate steps to improve their records where gaps had been identified.

- 8.2** The Fund is confident that the work that is being undertaken by the Pensions Administration Team, on data quality, is in line with the TPR's priorities. As part of an improvement exercise the Fund is working on a pilot for a Data Quality Review with their Pension Administrator software provider.

The exercise will provide:

- A detailed report on the quality of the Funds data, benchmarked against TPR common and conditional data guidelines
- A suggested correction plan
- Potential for year-on-year tracking to illustrate progress

- 8.3** By undertaking a Data Quality Review the Fund can demonstrate its level of data quality and establish a robust correction plan (if required) to improve the quality of the data held.

- 8.4** If the Data Quality Review highlights missing, or inconsistent data fails which impact on the calculation of member benefits or correct administration of the Scheme then the correction plan will be used to identify the priority data issues to ensure greater compliance with the Pensions Regulators Code of Practice 14.

- 8.5** The pilot is currently underway and the Fund has provided feedback on the initial reports provided. The Pensions Board will be fully briefed on the results of the exercise and any correction plan put in place later in the year.

- 8.6** Work is continuing on the project to identify members with no current address held on the system. Tracing the members will have to be done by a Third Party and appointment of that third Party will need to comply with the Council's procurement rules.

## **9. Data Security**

- 9.1** The Fund is in discussion with Shropshire Council's IT department on the issue of improving the strength of the recovery position of the Pensions Administration System; which includes the Member Self-Service facility, 'My Pension Online'. Alternative external hosting options have not been ruled out but the recommendation is looking likely that by moving the Pension Administration System on to a larger virtual server set-up, which can be provided by the Council, costs would be less than external hosting solutions but recovery resilience would be still be strengthened. Further technical and investigative work

is underway to ensure the recommended solution meets the current and future IT requirements of the Fund and the costs provide best value to the Fund.

- 9.2** In recent months there has been an increased number of Cyber Attacks on IT systems within the Public Sector, the largest being directed towards the NHS. The attack that was particularly aimed at the NHS is called “Ransomware”, which is software that encrypts files on the device and files on any networks the user has access to. The Ransomware then asks for a payment (the ransom) in order to de-crypt the files and restore access to them.
- 9.3** The Fund uses Shropshire Council to provide IT infrastructure and following the Cyber Attack this statement was provided to the Fund;
- ‘This Cyber Attack took advantage of a Microsoft vulnerability, “a bug” which allowed it to spread from one computer to another that also had the same bug. Microsoft released a patch for this bug in March this year, so anyone who had applied the patch was not vulnerable to this attack. This patch had been applied to Council machines, so fortunately we were protected against this particular attack.’*
- 9.4** The Fund follows the guidance issued by Shropshire Council with regards to IT security and is satisfied that updates are being installed regularly and anti-virus software is also deployed across the network as another layer of defence which is crucial in keeping the Funds IT infrastructure safe.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Item 14 - Pensions Administration Monitoring Report – Pensions Committee 17 March 2017

Item 11 - Pensions Administration Monitoring Report – Pensions Committee 23 June 2017

**Cabinet Member (Portfolio Holder)**

NA

**Local Member**

NA

**Appendices**

Appendix A –the new LGPS administrator websites