

The Pensions Regulator
via secure exchange

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Date: 27 August 2020

PRIVATE AND CONFIDENTIAL

Dear Sir/Madam

LOCAL GOVERNMENT PENSION SCHEME (LGPS) NOTIFICATION OF BREACH – ANNUAL BENEFIT STATEMENTS

I am writing to notify you of a reportable breach by South Yorkshire Pensions Authority (SYPA) in relation to the issue of Annual Benefit Statements (ABSs) for active members of the fund.

The paragraph below is a summary of the breach that will occur imminently and we then set out some further information on the background to the breach and the steps that SYPA (and the relevant payroll provider) have already taken to address the breach and the further actions committed to.

Summary of the Breach

Nature of Breach: Failure to issue ABSs to certain active members by 31 August 2020

Number of Active Members Impacted: 15,069 out of 49,295 active members

Number of Deferred Members Impacted: None

Cause: Monthly data submissions from a payroll provider

Expected Date of Resolution: 30 September 2020

Background

Your records will indicate that, in 2017, SYPA previously reported a breach of the requirement to issue ABS's to all active and deferred members by 31 August of each year.

One of the key improvements identified at the time of the previous ABS breach and, in fact, already in progress, was the move from annual to monthly collection of data from employers in the fund. SYPA was one of the first LGPS funds using the UPM pensions administration system to implement Monthly Data Collection (MDC) and this went live successfully in April 2018.

The first 12 months of MDC submissions were therefore completed for the 2018/19 financial year and all ABSs (active and deferred members) with illustrations as at 31 March 2019 were issued by the statutory deadline of 31 August 2019 following successful completion of the 2018/19 collection.

The MDC process has, generally, been a marked success to the extent that, with effect from April 2020, the monthly MDC files themselves have formed the basis of the monthly collection of contributions from employers by Direct Debit. This is a significant efficiency saving in terms of the reconciliation of contributions against individual member data and it is understood that SYPA is one of the first LGPS funds to have introduced this way of working.

2020 ABS exercise – payroll provider issue

As indicated above, the MDC process is working well with the majority of employers and the timeliness of MDC submissions from employers in the fund is reported quarterly to the Local Pension Board as part of the regular detailed update on all aspects of LGPS administration.

One specific payroll provider, Rotherham Metropolitan Borough Council (RMBC), delivers a payroll service for a significant number of employers in the SYPA fund, representing a total of approximately one third of the fund's active membership. This includes two large metropolitan Councils (Rotherham MBC and Doncaster MBC) and a number of other establishments (mainly academies).

RMBC took the decision to migrate to a new HR/payroll system for all their client base and this went live in June 2019. Unfortunately, despite SYPA's early engagement with the migration process, the migration was not successful in relation to the creation of the MDC files for the fund and this has had a significant negative impact on the fund's ability to process the 12 MDC files from April 2019 to March 2020 required to produce the 2020 ABSs for the members covered by RMBCs payroll service.

RMBC have helpfully provided a summary of the issues they encountered (and the work they have undertaken to resolve this) and this is attached to this breach report for reference. The impact for SYPA is that we have had to devote significant additional in-house resource to process the marked increase in individual data queries that required resolution before we were confident we could update member records on a month by month basis. Although we have worked extensively in an attempt to meet the 31 August deadline, the compounded impact of the flawed data submissions on a month by month basis for 2019/20 has meant a short period of extended time (one month) is required to update monthly records to 31 March 2020 and complete the ABS exercise for the impacted staff.

It is worth noting that the extensive validation checks already in place for the MDC process do provide assurance that the data is accurate at the point it is loaded to SYPA records but, in order to reach that level of assurance, the volume of queries requiring resolution by RMBC has increased exponentially in respect of the post-migration 2019/20 monthly files.

Actions Already Taken

SYPA have been working collaboratively with RMBC throughout the post-migration period to support the resolution of the issues they encountered and a number of steps have already been taken to address the migration issues, both for the short and long term:-

1. SYPA have devoted additional resource (approximately 5 FTE for the last two months) to handle the additional query level and this resource will continue in place until the 2019/20 issues are resolved, and beyond.

2. Active engagement at senior level between the two organisations since the beginning of the year with weekly and monthly progress reports provided between the two parties on query resolution and issues identified.
3. A 48 hour turnaround time agreed for RMBC to respond to individual data queries to enable the resolution of the data queries.
4. As set out in the accompanying document, SYPA have worked with RMBC to ensure the quality of their MDC submissions will be restored to the previous high levels from 2020/21. In that sense, this should be a legacy issue.

Further Steps to be Taken

SYPA recognises that, although the **timeliness** of the submission of MDC files is successfully monitored on a monthly basis with high levels of employer responsiveness and a clear escalation path, the difficulties with RMBC have highlighted that the **quality** of the individual data on the MDC submissions could potentially be subject to greater scrutiny at the point of submission. This would lead to earlier identification of any concerns and timely intervention with employers.

Following a restructuring of the entire administration service, a new senior post of Project and Improvement Lead was created earlier this year and an external appointment has been made to this post with an expected start date of mid-September. The first project assigned to this new post holder, an experienced and qualified project manager, will be to conduct a thorough review of the effectiveness of the existing MDC process now that we have had been live for over two years. The scope of this review will include, but not be limited to, the following:-

- 1) System and process improvements to identify early resolution of MDC individual data quality issues;
- 2) Feasibility of data integrity checks against live database at point of employer submission (this is not part of the current UPM system but is a feature of other MDC products)
- 3) Automation of query generation and resolution
- 4) Internal workload distribution and allocation of MDC processing
- 5) Effectiveness of existing MDC training and support to employers

One of the outcomes of the review will also be the creation of a project plan for the 2021 ABS exercise which will be presented to the Local Pension Board later this year. This will help to ensure that any potential employer issues of the type experienced in 2019/20 can be identified and early intervention and support provided.

Other Considerations

SYPA has a robust *Pensions Administration Strategy* in place which sets out levels of expected employer performance and this can be used for formal measures (e.g. financial penalties) where required. It should be noted that the focus remains on collaboration and engagement in the first instance (an approach which continues with RMBC following the issues identified above).

The focus on employer engagement was a key outcome of the recent restructure of the pensions administration function referenced earlier in this report with new posts created dedicated solely to improving employer engagement and a focus on improving the level of training and support available to assist employers with meeting their statutory requirements, including the submission of MDC files.

Please do not hesitate to contact me if I can be of any further assistance.

Yours sincerely



Jason Bailey
Head of Pensions Administration