

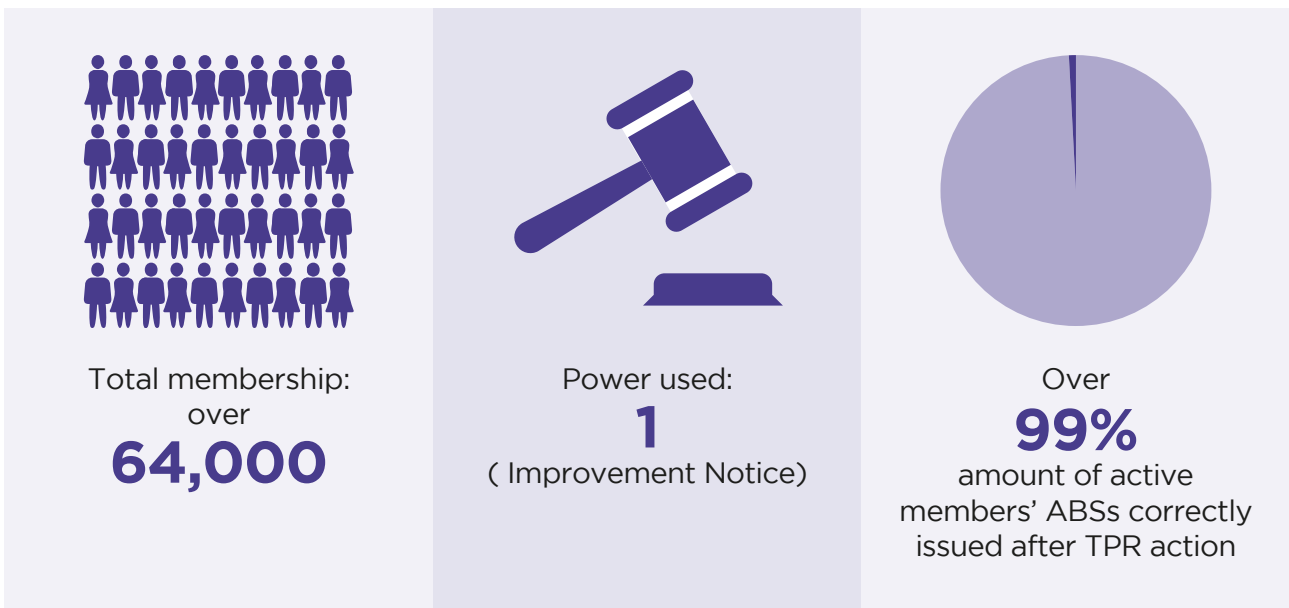
Regulatory intervention report

Issued under section 89 of the Pensions Act
2004 in relation to the Local Government
Pension Scheme – Oxfordshire County Council
Pension Fund

Summary

Our engagement with this Local Government Pension Scheme (LGPS) fund led to significant improvements in its governance and administration. The combination of a collaborative approach and the use of an Improvement Notice helped the scheme move from a failure to give members their annual benefit statement (ABS) in 2015, to over 99% of active members receiving theirs in 2018.

Illustrated summary



Background

In April 2015, TPR was given an expanded remit to regulate Public Service Pension Schemes and help them meet the governance and compliance standards set out in legislation. As part of our work on member communications, which focused in particular on timely and accurate ABSs, we told all scheme managers that they needed to take action if their data was not in good order.

The Oxfordshire County Council Pension Fund is one of the funds in the Local Government Pension Scheme. The scheme manager (also known as administering authority) is Oxfordshire County Council, supported by a local pension board which it appoints, and it is responsible for securing compliance with the LGPS regulations and other legal duties.

In September 2015, the scheme manager of the Oxfordshire fund contacted us to say that no ABSs had been issued to scheme members for the year 2014-2015. They attributed this to poor data, and the difficulty in improving it was due to the fund's employers failing to provide accurate data and employment histories.

Annual benefit statements

Public service pension schemes have to provide ABSs to active members within five months of the end of the scheme's financial year, usually 31 August. It is the scheme manager's responsibility to do this.

ABSs are important as they include vital information which members can use to make informed financial decisions, such as when they can retire. The production of an ABS is heavily dependent on a scheme keeping accurate data, so failure to provide it is often a symptom of wider record-keeping and governance problems.

Most member data is provided to a scheme manager by participating employers, and scheme managers should have a robust process in place to ensure they receive accurate member data on time. Data received in the past should also be corrected as necessary to ensure it is accurate. This allows the scheme manager to properly calculate member benefit entitlements and inform members what those entitlements are.

Regulatory action

After receiving the scheme manager's breach of law report, we worked with them to revise the fund's Pension Administration Strategy (PAS), and they carried out a consultation exercise with stakeholders.

They created a robust and measurable data improvement plan, which addressed not only the issue of the ABSs being sent out late or not at all, but also the wider governance and administration of the fund. However, in spite of this evidence of progress we remained sufficiently concerned about the speed of improvement for us to consider enforcement action. Although the scheme manager openly engaged with us, they confirmed they would rectify the breaches and prevent their reoccurrence, but failed to do so.

We issued a Warning Notice to the scheme manager on 23 May 2018, which included the draft of the Improvement Notice we intended to issue. An Improvement Notice directs a scheme manager (or a scheme trustee for other types of occupational pension scheme) to complete a series of steps to rectify failures within the scheme, or to stop taking inappropriate actions, within a specified timescale. Failure to comply with an Improvement Notice can result in a monetary penalty of up to £5,000 for individuals and up to £50,000 for other entities per breach.

The Warning Notice, which the scheme manager fully accepted, set out our concerns about the breaches of law, our intention to require the scheme manager to keep to the terms of the data improvement plan, and that we would be seeking detailed and robust plans to prevent future, related breaches.

We issued the Improvement Notice on 1 August 2018 and had regular contact with the scheme manager afterwards to keep track of the steps it was taking to comply by the deadlines.

Outcome

Our collaborative engagement with the scheme manager meant we were able to set out our expectations clearly, enabling the production of a robust data improvement plan which had clear milestones, accountabilities and appropriate monitoring in place.

The new PAS includes issuing fines to employers for non-compliance as well as reporting individual non compliant employers to us, something the scheme manager was previously reluctant to do. The scheme manager has also conducted a data cleansing exercise.

The scheme manager worked with us in an open and transparent manner, seeking to find ways to improve the governance and administration of the fund, including improving staffing levels, outsourcing work where appropriate, and educating the employers in the fund about their obligations. By 31 December 2018 the scheme manager had issued over 99% of ABSs for the 2017-2018 year.

Throughout this exercise the scheme manager has worked closely with the fund's pension board. The pension board has a statutory obligation to maintain a level of knowledge and understanding to allow it to carry out its function of assisting the scheme manager. We strongly encourage scheme managers to make effective use of the skills and experience of their pension boards, especially in the key areas of improving data quality, record keeping, and engagement with scheme employers.

We were also encouraged to note that the scheme manager is engaging with other funds and the Local Government Association, and has shared their experiences of improving data quality and the knowledge they gained in the process at industry conferences.

Our approach

Where a scheme manager does not hold accurate and complete member data we expect them to create a measurable and timely data improvement plan. This plan should enable the scheme manager to improve the quality of the member data they currently hold and to maintain this quality in the future. We expect scheme managers to have appropriate controls in place and use their powers to manage employers who do not fulfil their obligations to the scheme.

The scheme manager and other parties (including administrators, advisers and members of the pension board) have a duty to report breaches of the law to us where they believe this is of material significance. We would encourage them to engage with us in a prompt and open manner, sending in breach of law reports, helping to protect member outcomes at the earliest possible stage. You can find more information about reporting breaches of the law on our website.

Timeline

28 September 2015: Breach of law report from scheme manager detailing failure to issue any ABSs to active members.

8 December 2015: TPR is informed of steps to be taken to rectify the breach of law.

12 September 2016: Breach of law report informing TPR that scheme manager only issued around 50% of ABSs to active members for the financial year 2015-2016.

20 January 2017: TPR formally opens a case to investigate the breach of law.

31 March 2017: Scheme manager provides plan to rectify breach of law.

26 June 2017: TPR sent a revised Pension Administration Strategy.

25 September 2017: Breach of law report to TPR stating the scheme manager has issued 77% of ABSs to active members.

27 February 2018: Breach of law report concerning failure to provide prescribed information on deferred benefits to large numbers of scheme leavers during 2017.

2 March 2018: TPR writes to scheme manager to inform them it is considering regulatory action.

16 March 2018: Finalised data improvement plan received by TPR.

23 May 2018: TPR issues Warning Notice.

8 June 2018: Scheme manager accepts terms of Improvement Notice.

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Timeline continued...

26 June 2018: TPR issues Determination Notice.

1 August 2018: TPR issues Improvement Notice with two deadlines:

- 31 August 2018: deadline for the fund to complete its improvements to its record keeping data standards to its proposed levels, and also to comply with the deadline to issue overdue ABSs to members for financial year 2017-2018, and to provide an updated project plan.
- 30 September 2018: deadline for the scheme manager to provide TPR with its comprehensive plan to prevent future, connected, breaches of pensions legislation giving rise to the Improvement Notice continuing or being repeated in future.

The regulator's consideration and approach to individual cases is informed by the specific circumstances presented by a case, not all of which are referred to or set out in this summary report.

This summary report must be read in conjunction with the relevant legislation. It does not provide a definitive interpretation of the law. The exercise of the regulator's powers in any particular case will depend upon the relevant facts and the outcome set out in this report may not be appropriate in other cases. This statement should not be read as limiting the regulator's discretion in any particular case to take such action as is appropriate. Employers and other parties should, where appropriate, seek legal advice on the facts of their particular case.



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