

ITEM No ...19....

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD – 21 SEPTEMBER 2020

REPORT ON: PENSION ADMINISTRATION PERFORMANCE – QUARTERLY UPDATE TO 30TH JUNE 2020

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 245-2020

1. PURPOSE OF REPORT

This report provides information on the recent quarter's operational performance in relation to Pension Administration.

2. RECOMMENDATIONS

The Sub-Committee are asked to note the contents of the report,

3. FINANCIAL IMPLICATIONS

There are no financial implications.

4. BACKGROUND

Following a review of processes and reporting which commenced in December 2019, enhanced reporting functionality has been introduced to enhance the quality of information on administration performance and compliance. Reporting focusses on statutory performance and will be subject to ongoing development.

5. SERVICE SUMMARY**5.1. Summary of Statutory Performance Requirements**

The following table summarises the performance of the fund administration against statutory requirements:

Statutory Task	Outstanding Volume at 1/4/20	Received in Quarter	Completed in Quarter	Statutory Days	Average Days	Outstanding Volume at 30/6/20
New Member processing	0	307	264	60	30	43
Retiral Estimates	223	151	267	60	79	107
Issue of Pension Options	43	188	36	60	40	195
Pensions Brought into Payment	120	172	244	60	76	48
Inbound benefit transfers	93	44	40	60	73	97
Outbound benefit transfers	64	155	73	90	103	146
Deferred member processing	225	232	191	60	79	266
Process of death benefits	31	198	173	60	20	56
Payment of death grant	23	39	27	60	94	35
Dependant member processing	34	76	59	60	57	51
Divorce	13	22	18	90	51	17
Total	869	1584	1392			1061

Please note that the above statistics include some legacy system tasking which includes employer and member query timescales. A re-tasking exercise is currently being undertaken where viable to provide further clarity.

During this quarter, The Pensions Regulator (TPR) advised that payment of benefits be prioritised, and also issued guidance in relation to risks relating to outbound transfers. In addition, they also eased normal reporting restrictions, and although some breaches of statutory requirements did occur during this quarter, none are considered material, and per TPR guidance, no report will be required.

Whilst the delivery focus remains in line with TPR priorities, resources have been applied to address tasks where performance indicators are failing to meet statutory requirements, and these are subject to weekly monitoring, and regular management oversight.

The following provides further detail on statutory task data:

Covid Prioritised Tasks:

- Issue of Pension Options & Pensions Brought into Payment

Higher volumes of members retire in the quarter following 31st March of each year, and documentation is received from employers and members throughout the period. Tasks relating to these retiring members were prioritised, and although the statutory timescales were not met for these tasks, process volumes increased by 17% from same quarter in the previous year.

- Processing of Death Benefits, Payments of Death Grants, and Dependant Pensions

During the quarter, 30% more death benefits were brought into payment than the same quarter of the previous year. In addition to this, statutory timescales were met for both payment of death benefits and dependant pensions. Some death grants were subject to delay due to their complexity, and referral for executive decision.

Other Statutory Tasks:

- New Member Processing: This task is carried out once a month as a bulk exercise, thus ensuring that statutory requirements are always met.
- Estimates: Although not given the same priority as other tasks, 52% more pensions estimates were processed in comparison to the same quarter of the previous year.
- Deferred Member Processing: There was a significant volume of pension deferrals during the period. Following completion of the Annual Benefit Statement exercise, additional resource will be assigned to address outstanding task volumes.
- Benefit Transfers: Additional measures were introduced to ensure that members requesting transfers out of the scheme understood the risks before proceeding. This effectively paused this process, and enabled resource to be allocated to prioritised tasks.
- Divorces: Statutory timescales were met.

5.2. Other Pension Operations

The following table summarises the other operations undertaken in addition to statutory requirements:

Task Category	Completed in Quarter
Amendments to Accounts	574
Certificate Processing and Application	166
Other Administration Tasks	437
Other Pensions Processing Tasks	148
Total	1325

5.3. Employer Contributions

During the quarter, there was only one instance of late payment of contributions. This was due to resource issues, and contributions were received by 25th of the month.

5.4. End of Year Employer Returns

The Statutory deadline for year-end data returns is 30th June. This information is critical to Tayside Pension Fund to both enable progression of the actuarial valuation as at 31st March 2020, and also to enable the issue of Annual Benefit Statements to all active members by the statutory deadline of 31st August. The End of Year Schedule template and guidance notes were issued on 26th March 2020. Further employer correspondence was issued on 5th May 2020, and thereafter an exercise was undertaken to ensure that all schedules were returned timeously. All employers provided the required information within this timescale.

5.5. Annual Benefit Statement Exercise

The following provides a summary of the stages throughout the quarter to 30th June:

Stage	Position as at 30th June 2020
Employer EOY Returns	46 Complete
Contribution Reconciliation	45 Complete. 1 outstanding
Provisional Upload	13 outstanding, 13 uploaded & queries issued
Actual Upload	20 completed and any final queries issued

Whilst this report focusses on the quarter to 30th June 2020. the following summarises the status of the exercise as at Statutory deadline:

Status of Annual Benefit Statements for active members as at 31/8/20	% of Active Members
Issued to Adare (external printing service supplier)	92%
Issued to DDC Printing Services	5%
Manual exercise of remaining cases	3%

Fuller detail will be provided in the report to 30th September 2020.

5.6. Compliance

- During the quarter there were no recorded instances of GDPR breaches.
- The fund administration underwent the following audits:
 - Pension Benefits and Payments
 - Record keeping and amendments to standing data

The outcome of both have been subject to separate report.

6. OPERATIONS

6.1. Response to Covid-19

Since March 23rd, Tayside Pension Fund has had 100% of staff working from home. Service delivery has not been affected as systems and processes had been adapted to suit in contingency planning, and communications have been made where possible by secure e mail and by telephone.

All incoming surface mail communications have been scanned in on receipt, essential outgoing documentation (where member has no e mail facilities) has been issued on a weekly basis.

6.2. Service Prioritisation

Tayside Pension Fund's overriding business continuity priority is to ensure that the monthly pensions payroll is run and payments are received without delay, and this has been achieved without issue. In addition to this, new retirements and processing of deaths have also been prioritised, in line with guidance from The Pensions Regulator.

6.3. Queries & Complaints

- Approximately 3117 emails were received in the quarter to 30th June 2020. Which is an 11% increase on general volumes received quarterly. This is approximately 48 emails per day, and in light of current working arrangements, response times have been prioritised to ensure response to all queries within 5 working days, regardless of complexity.
- No complaints were received during the quarter.

6.4. Communications

Members

- All Covid-19 related communications for members have been displayed on the Tayside Pension Fund website.
- Following guidance from The Pensions Regulator and the Financial Conduct Authority, requests for transfers out of the scheme were paused during the quarter, and letters to members requesting quotations were issued containing the guidance from the regulatory bodies, and requesting confirmation that they understood the risks before progressing further.

Employers

- In addition to guidance and information on Covid-19 related issues, on guidance from the Pensions Regulator, employers were provided with an alternative contribution payment plan if they were unable to meet their liabilities. At 30 June, no applications had been made.

7. Regulations

On 4th August, the Scottish Government issued proposals to amend the regulations governing 'transitional protection' in the Local Government Pension Scheme (LGPS). These amendments are required following a successful legal challenge to transitional protection arrangements in the firefighters' and judicial pension schemes (The McCloud and Sargeant judgements). These proposals are subject to consultation, and a summary of the proposals is set out in Appendix 1. Tayside Pension Fund will contribute to a technical response with other Scottish LGPS funds. The closing date for responses is 23rd October 2020. The consultation is available at:

<https://pensions.gov.scot/local-government/scheme-governance-and-legislation/consultations>

It has also been confirmed that work on the Cost Cap valuation of the scheme, which had been paused pending resolution of the McCloud issue, will now resume. This is likely to lead to further changes to the scheme regulations. In addition to this, more regulatory changes are also awaited in other areas where discrimination has been identified.

8. POLICY IMPLICATIONS

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

9. CONSULTATIONS

The Chief Executive and Head of Democratic and Legal Services have been consulted in the preparation of this report.

10. BACKGROUND PAPERS

None

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Appendix 1

Consultation on Proposed Changes to the Scheme Rules

McCloud and Sargeant cases

Soon after the reformed scheme benefit structures were introduced in other public service pension schemes, in April 2015, legal challenges were brought against the transitional protection arrangements in the judicial and firefighters' pension schemes ('McCloud' and 'Sargeant', respectively) on grounds that the transitional protections offered to older workers constituted unjustified direct age discrimination. In those cases, younger firefighters and judges argued that younger workers were treated less favourably than older workers who were given transitional protection.

The Court of Appeal ruled in December 2018 that transitional protection in the judicial and firefighters' pension schemes gave rise to unlawful age discrimination. The UK Government sought permission to appeal to the Supreme Court. This application was refused on 27 June 2019. In a written ministerial statement on 15 July 2019, the government explained that it accepted that the Court of Appeal's judgment had implications for all schemes established under the Public Service Pensions Act 2013, as all schemes had provided transitional protection arrangements for older members.

The government confirmed that it would take steps to address the difference in treatment across all schemes and for all members with relevant service, regardless of whether they had lodged a claim. Since summer 2019, the Scottish Public Pensions Agency (SPPA) have been considering the changes necessary to remove the unlawful discrimination from LGPS regulations in Scotland.

Proposed Approach for LGPS in Scotland

Unlike most other public service pension schemes, the LGPS provided transitional protection to its older workers via a statutory underpin. All members moved into the 2015 Scheme on the reform date of 1st April 2015, but protected members were given a statutory underpin that provides their retirement pension cannot be less than it would have been in the 2009 Scheme.

Through the McCloud and Sargeant cases, the Courts identified unjustified age discrimination in transitional protection arrangements in the Judicial and Firefighters' Pension Schemes. This unlawful discrimination exists between two groups of LGPS members:

- those who were in service on 31 March 2012 and were within ten years of Normal Pension Age (NPA) on 1st April 2012, therefore benefiting from underpin protection; and,
- those who were in service on 31 March 2012 and were more than ten years from NPA, and so were not eligible for underpin protection.

At a high-level, SPPA's proposal for removing the unlawful age discrimination from the LGPS is to extend the underpin protection to the second group of members listed above (i.e. those who were not old enough to receive underpin protection when it was originally introduced). This should ensure that the two groups listed are treated equally for benefits accrued from April 2015 onwards.

