

ITEM No ...7.....

REPORT TO: PENSION SUB-COMMITTEE OF THE POLICY & RESOURCES COMMITTEE & PENSION BOARD – 8 MARCH 2021

REPORT ON: PENSION ADMINISTRATION PERFORMANCE – QUARTERLY UPDATE TO 31 DECEMBER 2020

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 71-2021

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 is asked to note the contents of the report,

3. FINANCIAL IMPLICATIONS

There are no direct financial implications.

4. BACKGROUND

Following a review of processes and reporting which commenced in December 2019, enhanced reporting functionality has been introduced to improve 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:

Category	B'fwd	Received		Completed		Statute Days	Average Days		C'fwd	Cases beyond statute 31/12/20
		Current	Prior	Current	Prior		Current	Prior		
New Member processing	26	291	470	317	487	60	30	30	0	0
Retiral Estimates	251	212	273	270	129	60	80	82	193	0
Issue of Pension Options	285	267	313	207	223	60	52	83	345	0
Pensions Brought into Payment	100	169	243	188	191	60	25	64	81	0
Inbound benefit transfers	95	2	25	27	27	60	48	174	70	0
Outbound benefit transfers	148	89	73	138	71	90	92	106	99	0

Deferred member processing	252	210	189	208	203	60	37	112	254	7
Process of death benefits	46	154	124	134	173	60	28	20	49	0
Payment of death grant	28	29	23	19	30	60	58	104	38	0
Dependant member processing	28	54	38	45	61	60	36	48	37	0
Divorce	20	18	15	29	12	90	47	63	9	0
Total Cases	1259	1495	1783	1570	1568				1166	7

Please note that the above statistics still include a small proportion of legacy system tasking which includes employer and member query timescales. These have now been identified and adjusted for in the current quarter.

The following provides further detail on statutory task data:

Covid Prioritised Tasks:

- Issue of Pension Options & Pensions Brought into Payment

The team continues to give priority to the payment of benefits in line with TPR priorities. There were reduced volumes received, but similar volumes processed as per previous quarter which enabled the team to end the quarter with no tasks out-with statute.

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

The volumes of death related payment tasks increased by 28% in the quarter, but this was accommodated, and statutory requirements comfortably met.

Other Statutory Tasks:

- New Member Processing: Standard expected new starts numbers are reflected in this period following the increase in the last quarter due to end of year and queries.
- Estimates: Volumes of estimate requests decreased slightly over the quarter, thus allowing the team to process a higher number of cases. Although at end of the quarter there were no cases out-with statute, average processing times were not met due to the volume of cases carried forward from the previous period. Resource allocation will be monitored during the next quarter to aim to bring average process times within statute.
- Deferred Member Processing: As noted in the previous quarters report, a catch-up exercise was completed by the end of December, with reduced average processing times meeting statutory required, with minimal volumes of cases out-with statute at period end.
- Benefit Transfers: Case volumes for outbound transfers increased in the period, but the team achieved a higher number of completed cases than the previous period, ending the quarter with no cases out of statute. Average processing times fell slightly short of target, and this will be closely monitored during the following quarter. Please note that additional measures remain in place to ensure that members requesting transfers out of the scheme are made aware of the risks before proceeding.
- Divorces: Statutory timescales were met.

5.2. Other Pension Operations

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

Other Pension Activities	Completed in Quarter	Completed in Previous Quarter
Amendment to Account	737	272
Certificates	51	38
Other Admin Tasks	362	580
Other pensions processing	427	1205

5.3. Employer Contributions

During the quarter, there were no instances of late notification of monthly contributions.

5.4. Annual Benefit Statements (ABS)

There was little progress made during the quarter of the outstanding ABS cases as the 2 employers with outstanding caseloads failed to return query responses. This has been escalated with senior management internally, and also with employers. Fund officers have met with both employers and initiated improvement plans to address both these issues and general performance which can impact on member benefits. The cause of the issues encountered have been largely attributed to resourcing issues.

The remaining outstanding case volume of 205 is not considered material, and senior management are being kept informed of progress, with a view to completion and improved standards by end of the financial year.

5.5. Annual Allowance

The Annual Allowance (AA) is the amount by which the value of member pension benefits may increase in a year without incurring tax charge. If the value of pension savings in a year (including pension savings outside of the LGPS) are more than the annual allowance, the excess will be taxed as income.

Notification in the form of a Pension Saving letter is required to be issued to all members who, in the period 2019/2020, exceeded the annual allowance of £40,000, and these notifications must be issued by the statutory deadline of 6th October. The 84 affected members received Pension Saving letters within this deadline.

5.6. Employer Transfer: VisitScotland Transfer to Lothian Pension Fund

Following the issue of a Ministerial Order, instructing that the administration of the LGPS for all VisitScotland and their predecessor employers were to be transferred to Lothian Pension Fund on 31 December 2020. The detail of members transferred at that date are as follows:

Category	No. Members
Active	10
Deferred	29
Pensioner / Dependent	39
Frozen	2
Total	80

The project was co-ordinated by Hymans Robertson. They also issued cross fund member communications and corresponded with the different Fund Actuaries and Funds in relation to the transfer of assets.

5.7. Triennial Valuation

The final submission of valuation data was actioned on 7 November. The fund data will now be subject to annual data cleansing during inter-valuation periods.

5.8. Compliance

During the quarter there were 3 recorded instances of GDPR breaches. During this quarter all staff, who had not already done so, completed the online refresher training on GDPR.

6. OTHER ACTIVITIES

6.1. Tell Us Once

Whilst the use of this system to enable the staff to access national data in relation to key life events reported was intended to be in use in December 2020, this has been subject to delay whilst users await Disclosure Scotland checks. As soon as confirmation is received, the system will be introduced immediately.

6.2. Queries & Complaints

Approximately 3160 emails were received in the quarter to 31st December 2020. This is a reduction of 14% from the previous quarter as a result of annual benefit statement queries.

2 complaints were received during the quarter. Both complaints underwent full investigation, but were not upheld.

6.3. Employers Communications

The impact of Covid-19 has resulted in some employers undertaking redundancy exercises during the quarter. Suitable payment plans are being introduced to address the resultant strain costs.

A small number of employers have been provided with information from Fund actuaries on estimated contribution rates should they elect to close the scheme to new members, or to exit. To date, the Fund has not received any requests to proceed.

Following publication of full triennial valuation results, detailed cessation liabilities as at 31 March 2020 will be issued to all employers.

7. REGULATIONS

Details of regulatory matters are contained in Appendix 1.

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

ROBERT EMMOTT

EXECUTIVE DIRECTOR OF CORPORATE SERVICES

28 February 2021

Regulatory Communications

SAB (Scheme Advisory Board) & UK Treasury – Cost Cap

On 4th November the SAB published a new item in relation to the £95K Compensation Cap. This news item confirmed that the policy position of the Scottish Ministers in relation to the LGPS in that no changes have been made or are intended to be made to the LGPS. A link to the letter issued by the Scottish Ministers was attached and the letter can be viewed at http://www.parliament.scot/S5_Public_Audit/General%20Documents/Letter_from_Cabinet_Secretary_for_Finance_Economy_and_Fairwork_21_June_2019.pdf

However, on 12 February, the UK Government announced that the £95,000 cap on exit payments to individuals by public sector bodies was to be revoked with immediate effect in England. The rules had come into effect in November 2020 and had placed a statutory limit on what may be paid to staff exiting from public bodies in various circumstances. The rules had been subject to a high degree of opposition from within the sector and were also subject to legal challenge.

The UK Treasury advised that it is still vital that exit payments deliver value for the taxpayer and employers should always consider whether exit payments are fair and proportionate. Therefore, it intends to bring forward proposals ‘at pace’ to tackle unjustified exit payments.

SPPA Circulars

No SPPA circulars were published during the period

Actuarial Guidance

During the period actuarial guidance was published on the following work areas

- Individual incoming and outgoing transfers (wef 01/11/2020)
- Pension Sharing on Divorce (wef 29/10/2020)
- Pension Credits (post 2015) (wef 29/10/2020)
- Pension Debits (both pre and post 2015) (wef 29/10/2020)

A full copy of all the actuarial guidance can be found at <https://pensions.gov.scot/local-government/employers/actuarial-guidance>

McCloud & Sergeant – Update (February 2021)

At the start of February, the UK government published its approach to remedying the age discrimination found in the 2015 pension reforms. The decision is to implement a ‘deferred choice underpin’ and this was the public consultations favoured approach.

The UK Government also confirmed that from 1 April 2022 all those who continue in service will do so as members of the reformed schemes, regardless of age, meaning all members will be treated equally in future. In terms of member benefits earned up to that date in the pre-2015 schemes these will be fully protected, and final salary benefits will still be calculated using the salary at the point of retirement.

Therefore, members of the scheme between 31 March 2012 and 31 March 2015, are most likely to be affected by these changes, but those scheme members who joined the scheme on or after 1 April 2012 they will not be affected by the reforms to be brought in.

The report defines what a “deferred choice underpin” is, this option means that members will remain in, or be returned to, their legacy schemes for service between 1 April 2015 and 31 March 2022. This is described as the Remedy Period. Affected members will be given a choice at the point of retirement (or when benefits become payable) to choose which scheme benefits they wish to receive in respect of service during the remedy period. For those members who have retired since 1 April 2015 will also be offered this choice.

It is important to note that some members will have achieved better benefits under the move to the CARE Scheme in April 2015, and this is why members can choose which scheme benefits they want to receive.

By allowing active scheme members to defer this choice until retirement, they will be able to make a more informed choice as to which pension scheme benefits are better for them.

The Scottish Ministers will need to introduce changes to the schemes as they have confirmed that they will need to consider many complex issues, including how the new arrangements will interact with aspects of the scheme, as well as tax implications for some members. SPPA have confirmed that they will be exploring these issues with member and employer representatives on the scheme advisory boards in the coming months.

At present there is nothing for members to do, as the process of introducing the necessary legislative changes has yet to begin. The SPPA have confirmed that further information will be issued as they consider the reforms to be brought into the scheme.

A full copy of the UK Government's response can be found at <https://pensions.gov.scot/news/important-update-your-pension-governments-approach-2015-remedy>.

A link to the SPPA update, response document and an FAQ section will be signposted on the Tayside Pension Fund website within the news section.