Scottish Teachers' Pension Board Annual Report 2017-2018

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The Scottish Teachers' Pension Board 2017-18 Annual Report

This report covers the work of the Scottish Teachers' Pension Board (the "Pension Board") from 1 April 2017 to 31 March 2018. This closing date matches the closing date of both the 2017-18 Annual Accounts of the Scottish Teachers' Superannuation Scheme 2015 (the "Scheme") and the 2017-18 Annual Report and Accounts of the Scottish Public Pensions Agency (the "SPPA"). The SPPA has been nominated by Scottish Ministers as the Scheme Manager of the Scheme.

It is important to begin by placing on record the Board's appreciation of the work of the Agency's staff, both in supporting the Board throughout the year and in their consistently professional and successful delivery of the administration of the Scheme itself, to the benefit of the membership.

1.   The Pension Board Purpose

The Public Service Pensions Act 2013 required the establishment of a pension board for the Scheme with effect from 1 April 2015 with the responsibility for "assisting the Scheme Manager" in securing compliance with the regulations and other legislation relating to the governance and administration of the Scheme. The Scottish Teachers' Superannuation Scheme 2014 regulations reflect the Pension Board governance arrangements.

The Pension Board collectively, and members individually, are accountable to the 'Responsible Authority' and 'Scheme Manager' (ultimately Scottish Ministers) with the Cabinet Secretary for Finance, Economy and Fair Work, acting as lead Minister for public sector pensions. SPPA assumes the day to day role of Responsible Authority and Scheme Manager as delegated by Scottish Ministers via the Agency Framework Document.

The Scotland Act 1998 (which established the Scottish Ministers) provides for statutory functions to be conferred on "the Scottish Ministers" collectively.

2.   The Pension Board Role

The Pension Board's role is to assist the Scheme Manager in a range of issues associated with the administration of the Scheme. These can include:

Administrative:

- Considering quality, timeliness and accuracy of the administrative services provided to members
- Monitoring administrative processes and supporting continuous improvements
- Supporting employers and the SPPA in communicating effectively to Scheme members
- Ensuring members have access to a range of tools to improve their understanding of their pension benefits
- Ensuring Scheme data is managed to the highest standards
- Ensuring compliance with The Pensions Regulator's codes of practice and oversight of interaction between the Scheme Manager and The Pensions Regulator
- Requesting reports on specific topics from the Scheme Manager – as required

Financial:

- Consideration of the quadrennial Scheme valuations' process and progress

Strategic**:**

- Giving consideration to the future programme of service improvement at SPPA and its alignment with priorities identified by the Pension Board
- Consideration of lessons learned regarding customer complaints and Pension Ombudsman
- cases
- Fostering good working relationships with The Pensions Regulator and other service delivery partners
- Consideration of the annual report from The Pensions Regulator, including any responses to recommendations
- Producing an annual report outlining the work of the Pension Board throughout the Scheme year

3. Board Meetings

During the 2017-18 scheme year, the Pension Board met on four occasions. The venue for the meetings was considered in detail during the Board's initial year of operation; the Board agreed that it was advantageous, whenever possible, to hold the meetings in the SPPA's Tweedbank office, due to the availability as needed of the SPPA's subject matter experts.

Details of the Pension Board members and of their attendance at meetings are set out below.

There have been no notifiable conflicts of interest recorded for Pension Board members.

4. Key Performance Indicator (KPI) Performance

The Pension Board has taken considerable interest in understanding each individual KPI of the SPPA in relation to the Scheme and scrutinised its performance. Despite a number of missed targets, the 2017-18 performance overall has been strong. A table of the KPI performance for the year can be found at Annex B.

5. Board business during the year

5.1 Annual Benefit Statements

A major concern for the Board during the year was the Scheme's performance against the statutory requirement to issue an annual benefit statement to all active members (i.e. excluding deferred and pensioner members) by 31 August. The actual figure by 31 August 2017 was 73.60%. The Board reported this shortcoming to the Regulator, as did the Scheme Manager. The Regulator acknowledged the Board's report and maintained close contact with SPPA as Scheme Manager. An Improvement Notice was issued by the Regulator. The Board kept this issue under very active review and the Chair wrote to employers across the sector both to remind them of their obligations and later to thank them for their help and cooperation in catching up. Significant progress was made, thanks in large part to close working between employer payroll teams and SPPA staff; as at 30 April 2018 statements for 2017 were available on line for 98.69% of relevant members. The Board worked with SPPA staff and employers during 2017/18 in preparation for the August 2018 deadline.

5.2 Risk

During the year, work had been done by the Agency's Risk Governance Group to standardise and streamline registers across the pension schemes for which it holds responsibility. This had included putting customers at the heart of what the Agency does. The Board reviewed and

commented on the Register for the Teachers' Pension Schemes. At agency level, scheme risk registers are used as a management tool and feed into a Corporate register. A particular focus was the Agency's pension administration system, and the plans to change it. The Board was kept informed, at appropriate detail, of decisions to cancel a proposed new system with a new provider, and reviewed. The risks around continuing with the current pension administration system provider and the Agency's contingency planning arrangements to take this forward were communicated to the Board. The Board was also assured that the Agency's Risk Governance Group kept Scottish Government guidance on managing risk under review, to ensure compliance across the full range of its activities..

5.3 Reconciliation of the Scheme's Guaranteed Minimum Pensions (GMP)

Following decisions by HM Government on the cessation of contracting out, all public sector pension schemes face a major challenge in reconciling data and ensuring records, and therefore in due time pensions, are accurate. The Agency has reported to the Board at every meeting on its work to meet this challenge for the Teachers' Schemes. The Agency reported that initial analysis had been carried out by an external contractor on the SPPA's GMP data for the scheme. Reconciling the GMP data of the scheme with the records held by the Department of Work and Pensions remained a major exercise for the SPPA and there is a requirement to complete it by the end of 2018.

The project team continues further data analysis of scheme records. The Pension Board will continue to monitor progress as the deadline approaches.

5.4 Customer Service

All customer survey feedback received is analysed on a monthly basis, and areas for improvement are identified and reported to the Board at each meeting. An action log details:
- feedback received
- recommended remedial action
- updates progress made

The following actions have been completed during 2017/18:

Category	Feedback	Action Completed
Benefit Statements / Data	More explanation of terms	Frequently Asked Questions (FAQs) updated on the SPPA's website
	Timescales involved in the ABS exercise and the reasons behind these decisions • Issue date of Annual Benefit Statements (ABS) • Accuracy of member data	• SPPA undertook an Annual Return campaign to assist employers and highlight timescales and obligations involved in this process. • A Readiness Document was posted on website for employers along with a checklist for employers, EDM Online Guide and a circular for Employers. • Staff have been reminded to check members' details are correct when correspondence is received.
	Members not receiving an Annual Benefit	SPPA clarified the timescales / process involved in producing the ABS within the

	Statement on time	FAQ's published on the website
My Pension	Ease of use / usability / Digital Platforms	An upgrade has now been delivered to SPPA's online services.
Website	SPPA Website not able to support different Digital Platforms / Mobile Ready	An upgrade has now been delivered to SPPA's online services.

5.5 Complaints and Internal Dispute Resolution

The table below shows the number of formal complaints received over the scheme year. In line with the Scottish Public Service Ombudsman's best practice, complaints are largely dealt with by frontline staff. In round terms, there was one complaint for every 5,500 members.

Complaints were, in the main, about customer service and were categorised as follows:

Scheme	Error	Other	Over-payment	Policy	Response Time	Standard of Service	Total
Teachers'	4	2	6	1	2	17	32

Complaints Classification

The table below details both the total number of complaints received over the scheme year and their classification. These are classified as follows:

- not upheld – complaint is not justified
- partly upheld – there is some justification to the complaint
- upheld – complaint is justified

	Stage 1 outcome				Stage 2 outcome			
Scheme	Agreed with member	Partly agreed with member	Disagreed with member	% agreed with member	Agreed with member	Partly agreed with member	Disagreed with member	% agreed with member
Teachers'	13	6	9	46%	3	0	1	75%

Disputes

Disputes are focussed on how the regulations have been applied. The Scheme's Internal Dispute Resolution Process ("IDRP") complies with pension legislation and Citizen's Charter guidelines.

The table below details the total number of IDRP disputes received and their classification. In the case of cases brought under the IDRP the agreed classifications are:

- upheld – SPPA's original decision is upheld
- overturned – SPPA's original decision is overturned

Scheme	IDRP1 outcome		% of original decisions overturned
	Disagreed with member	Agreed with member	
Teachers'	23	4	15%

Scheme	IDRP2 outcome		% of original decisions overturned
	Upheld	Overturned	
Teachers'	8	4	33%

5.6 Scottish Public Sector Pensions Governance Review

In 2014, the Scottish Government committed to review the effectiveness of the operation of the Pension Board and Scheme Advisory Boards. That review was commissioned, from an external consultant (KPMG), in late 2016 and reported to SPPA in January 2017. Recommendations were discussed with Pension Board Chairs and Vice Chairs in October 2017 and an action plan approved by the SPPA Management Advisory Board.

5.7 Communications with Members

A team within the Agency worked during the year on improving electronic access for members to Scheme information. Members of the Board collaborated closely with that team and commented in detail on both approach and context. At the year-end the Communications Audit had been complete and the Strategy had been reviewed by the SPPA senior team. This would be progressed during the next year.

6.   Liaison with Scheme Advisory Board, with the Boards for other schemes administered by the SPPA and with the Teachers' Pension Boards for E&W and NI

Because the Scheme Advisory Board only met twice during the year, liaison was limited; minutes are shared once available.

7.   Liaison with SPPA / The Pensions Regulator

As set out in 5.1 above, the Pensions Board reported to the Regulator the Scheme's failure to meet the statutory target for issue of annual benefit statements to members. The Board's Chair attended meetings of the Regulator's Public Sector Pension Schemes Consultative Group.

8.   Board member training and CPD

Throughout 2017-18, the Board have been updated regarding the change to the General Data Protection Regulations, Risk Management and GMP. Board members have been responsible for completing the Pension Regulator's Toolkit. Induction for new board members will take place in 2018-19.

9.   Member appraisal and Pension Board review of effectiveness

Pension Board members have undertaken an appraisal process for the 2017/18 year. All Pension Board members have been deemed to have contributed to the effectiveness of the Pension Board. The Pension Board itself has kept its procedures under review and as the year ended was considering what changes, if any, might be beneficial.

10. Forward Look

During 2017-18, the Pension Board's membership changed significantly as appointments, for various reasons, came to an end. The Board has recorded its thanks to those members standing down, in particular to its Vice-Chair, Jennifer Adams, whose input has been central in ensuring the Board measures its performance against requirements. In 2018/19, there will be a significant requirement for induction training. This will be made available to new members, but an invitation to participate will be extended to continuing members as well. The Board expects its business to continue much as in 2017/18, with a focus on performance against KPIs, improved customer liaison, GMP reconciliation and the IT improvements. It will maintain its links with the Scheme Advisory Board, in particular around the Scheme quadrennial valuation.

11. Pension Board Costs

The Pension Board has incurred the following expenditure over the course of the Scheme year:

Fees and expenses: £6053.17 net
Catering: £180.00

Total expenditure: £6233.17

Approved by the Scottish Teachers' Pension Board on

Board Membership and Attendance at Meetings

Name	Date			
	23/5/17	21/9/17	14/12/17	21/2/18
George Brechin	Y	Y	Y	Y
Jennifer Adams	Y	Y	Y	Y
Brian Cookson	Y	Y	Y	Y
John Crichton	Y	Y	Y	Y
Sharon Mckenzie	Y	Y	-	Y
Peter Smith	Y	Y	Y	Y
Kathy Cameron	Y	Y	Y	Y
Drew Morrice	-	Y	Y	Y
Dave McGinty	-	Y	Y	-
Stuart Currie	-	Y	-	Y
Trevor Gabriele	-	Y	Y	-

Resignations during the period 1 April 2017 to 31 March 2018:

• Jennifer Adams

Key Performance Indicators

SPPA KPI	Target	2016-17 Volume	2016-17 Actual	2017-18 Volume	2017-18 Actual
New Awards (Timeliness)	98%	3641	99.95%	3299	99.82%
New Payments Accuracy	95%	5897	98.09%	4491	96.82%
Death in Service	98%	47	100%	26	100%
Death in Pension/ Retirement	98%	1386	100%	1614	100%
Transfer Value In (quote)	100%	250	67.60%(97.60%)	289	59.52%(98.27%)
Transfer Value In (actual)	90%	321	95.02%	279	93.91%
Transfer Value Out (quote)	100%	117	85.47%(99.15%)	132	91.67%(97.73%)
Transfer Value Out (actual)	100%	131	96.95%(99.24%)	92	98.91%(100%)
Estimates	90%	1902	96.74%	1491	92.56%
Divorce CETV	100%	187	100%	176	100%
Divorce PSOD	100%	21	100%	11	100%
Refunds	97%	482	95.02%	568	97.89%
Complaints	98%	41	92.68%	32	84.38%
IDRP1 (completed)	100%	35	97.14%	46	100%
IDRP 2 (completed)	100%	9	100%	11	100%
Freedom of Information	100%	3	100%	0	
Data Protection Subject Access Request	100%	2	100%	4	100%
Contribution Collection YTD	96%	£649m	98.51%	£658m	97.74%
Overpayment Recovery YTD	150 days	899 invoices £625k value	115 days	741 invoices £634K value	112 days
Payroll/ Existing Pension (Changes)	98%	4903	99.10%	4813	99.31%
Annual Statements	100%	52598	70.93%	66320	98.58%
Annual allowance	100%	0	0%	62	100%

Note: The figures in brackets reflect what would have been achieved excluding third party delays