



Scottish Public
Pensions Agency
Buidheann Peinnseanan
Poblach na h-Alba

Pension Board Annual Report 2019-20

Scottish Teachers Pension Scheme

8 December 2020

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1. Introduction

This report covers the work of the Scottish Teachers' Pension Board (the "Pension Board") from 1 April 2019 to 31 March 2020.

During this time, the Pension Board was Chaired by George Brechin until the end of his tenure in March 2020. Members of the Pension Board and colleagues within Agency were deeply saddened to learn of the passing of George in October 2020.

The Board would like to place on record their 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.

It is also important to note that this report is written during the period of Scottish lock-down in response to the Covid-19 pandemic. As with all organisations, the Agency has had to respond to that lock-down and change many of the ways it works; it is entirely possible therefore that some of the improvements in administration the Board hopes to see in 2020-21 may not be deliverable, or will be delivered to a longer timescale. This will only be clear in retrospect and has not been reflected in sections where this report points to future actions.

2. Meetings

During the 2019-20 scheme year, the Pension Board met on four occasions at the SPPA's Tweedbank office.

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

| Name of Pension Board Member | 29/05/2019 | 28/08/2019 | 27/11/2019 | 25/02/2020 |
|---|------------|------------|------------|------------|
| | Attended | Attended | Attended | Attended |
| George Brechin - Chair | Y | Y | Y | Y |
| Raymond Martin - Vice Chair | Y | Y | Y | Y |
| Brian Cookson (member nominated) | Y | Y | Y | Y |
| John Crighton (member nominated) | Y | Y | Y | Y |
| David McGinty (member nominated) | N | N | N | Y |
| Drew Morrice (member nominated) | Y | Y | Y | y |
| Leah Franchetti (member nominated) | Y | Y | Y | Y |
| Debbie Walls (started 01/08/2019 – employer nominated)) | n/a | Y | Y | Y |
| Sharon McKenzie (employer nominated) | Y | Y | Y | Y |
| Peter Smith (employer nominated) | N | Y | N | N |
| Kathy Cameron (left 24/07/2019) | Y | n/a | n/a | n/a |

| | | | | |
|---|---|---|---|---|
| Cllr Charles Buchan (started 1/2/19 – employer nominated) | Y | N | Y | N |
| Cllr David Illingworth (employer nominated) | N | Y | N | N |

The table below summarises the joiners and leavers to the Pension Board membership over the year

| Teachers - leavers | Starters |
|--|-------------------------------------|
| Kathy Cameron - resigned 24 /07/2019 | Debbie Walls (employer) – 1/8/2019 |
| George Brechin - Chair tenure ended 31/03/2020 | Graham Hutton (employer) – 1/2/2020 |

The venue for future meetings was discussed during the Board's initial year of operation and again in 2018-19; 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.

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

3. Customer Service

The Agency reported to the Board at each meeting on the performance of its customer contact team. The Pension Board has taken considerable interest in understanding each individual Key Performance Indicators (KPI) of the SPPA in relation to the Scheme and scrutinised its performance. The Agency also reported on the results of its separate customer survey. Despite a number of missed targets, the 2019-20 performance overall has been strong.

A table of KPI performance for the year can be found in Annex C. However the Board intends to work with the Agency during 2020-21 to improve the coverage and relevance of the KPIs reported to it.

4. Annual Benefit Statements

The production of these statements requires very considerable work in a restricted period of time from SPPA staff, together with very close and positive working with their counterparts in employers, principally Scottish Local Authorities. As at the 31 August 2019, the Agency was able to report that 98.23% of members had statements available through the Agency's Member Self Service portal. This was a marginal reduction, of 0.03%, on the previous year's performance. In addition, as in previous years, the

Agency had not had 2018-19 data for 2198 members who as a result had been issued with statement based on the previous year's data.

By 30 November, all outstanding statements had been delivered.

The Board and the Agency had reported the shortfall in performance as at 31 August to the Pension Regulator, and later reported that the 100% requirement had been met.

However as at 30 November there remained 1262 members whose statements were still based on prior years' data; work to resolve those issues continued and by the year-end all statements set out on the web portal for 2019 were based on 2018-19 data. The Board was very grateful for the hard work of all involved in achieving the 2019 result.

Recognising the problems which faced both employers and Agency in ensuring scheme records were up-to-date in time for ABS calculation by 31 August each year, the Board established a small Working Group, led by its Vice-Chair, to identify routes by which employer data submissions and consequently Agency records could be improved. The Working Group's aim was to deliver improvements in time for the 2020 ABS exercise.

The Board itself will continue to monitor progress to achieving the target in 2020.

5. Risk

Each Pension Board meeting considered the Agency's scheme specific Risk Register which includes the 'key' risk areas. Each risk has a 'RAG' risk assessment of likelihood and impact of the short, medium and long-term threats and opportunities. Red font is used to indicate where changes have been made to the text and a movement arrow to show where a change has occurred from the last iteration. Commentary on the preparation of the Register was provided at Pension Board meetings by officials and Board members were invited to note and comment on the content of the Register.

Risk assessments were also considered quarterly by the SPPA's Risk Governance Group (RGG). A 'heat map' was used to consider the risk assessments in relation to one another. An 'assurance map' links key Agency outcomes to key risks and to levels of assurance from internal, external and independent third party sources. RGG members were invited to consider and identify new risks. Minutes of all the RGG meetings held throughout the year were provided as part of the agenda papers to all members of the Pension Board.

At the year-end, the Board was notified that the Agency intended to review

its approach to and system for risk management; the Board would still receive a risk register report at each meeting.

6. Guaranteed Minimum Pensions

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 pension entitlements, are accurate. The Agency has reported to the Board at every meeting during the year 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. The original end date of December 2018 was extended by HMRC and had continued through to 2019; the Board was told at its meeting in February 2020 that HMRC had extended its deadline into 2020-21.

The project team continues further data analysis of scheme records. The Pension Board has considered progress on this topic at each of its meetings and will continue to monitor progress as the amended deadline approaches.

More information on GMP is provided in the Annex F.

7. Other Board Activity During the Year

The Board received reports at each meeting on the SPPA's work to ensure its administration processes were appropriately enabled by technology. The Board recognised the necessary transformation in the way pension services were delivered was as much about organisational culture and behaviour as about technology, and offered its support to Agency management in taking the programme forward.

Because the Scheme Advisory Board only met twice during the year, links were limited; minutes are shared once they become available. There is necessary liaison between the Chairs or Vice-Chairs of the Pension Boards for the four public sector schemes administered by SPPA with the Chief Executive of the Agency.

On behalf of the Agency and of the four Scottish Public Sector Pension Boards which it supports, the Board's Chair attended two meetings of the Regulator's Public Sector Pension Schemes Consultative Group during the year.

Training

Throughout 2019-20, the Pension Board has been updated on significant regulatory changes and the development of the agency and its operating model.

All individual Board members have been responsible for completing the Pension Regulator's Toolkit. Induction for new Board Members also took place as necessary.

The Board has contributed to consideration of training needs across the four Public Sector Pension Boards which support the Agency's work and looks forward to participating in joint training in 2020-21.

Pension Board Review of Effectiveness

The Pension Board has kept its procedures under review through a self-assessment questionnaire completed anonymously by all members and reported to a full meeting. The key item raised in the 2019-20 exercise related to training needs.

8. Forward Look

Much of the Pension Board's business in 2020-21 will reflect its business in previous years, for example as it supports efforts to sustain and improve delivery of Annual Benefit Statements.

The Board will also review the training needed by, and taken up by members, its Terms of Reference and the SPPA's Communications Strategy. More generally, the Board will also look to work with SPPA to learn lessons from the business interruption caused by the coronavirus pandemic in order to improve resilience in the future.

Two other issues will feature more prominently. The first is the next stage of GMP reconciliation, with its potential consequences for members. The second is the impact of the "McCloud case", where a legal judgment held that certain transitional protection provisions in another public sector scheme constituted unlawful age discrimination; HM Treasury is considering what rectification should be introduced across affected schemes.

The Board will maintain its links with the Scheme Advisory Board, in particular around the Scheme quadrennial valuation. The impact of the Customer Contact Centre, the further development of the pension administration system and the restructure of the Agency will also be monitored during 2020-21.

This report was approved by the Scottish Teachers' Pension Board at its meeting on 27 October 2020.

9. Annexes

9.1 Annex A - Scheme Membership

| | March 2019 | March 2020 |
|-------------------|------------|------------|
| Members | 74,497 | 75,633 |
| Pensioners | 81,251 | 82,604 |
| Deferred | 20,583 | 23,486 |

9.2 Annex B - Customer Contacts

| KPI's | Target | Total Volume | 2019/20 |
|---------------------------------------|--------|--------------|---------|
| Answer call within 60 seconds | 90% | 85,473 | 68.72% |
| Email reply within 24 hrs | 90% | 53,828 | 45.02% |
| First call resolution | 80% | 81,158 | 82.02% |
| Positive customer satisfaction | 80% | 1,432 | 88.76% |

| Telephony statistics | 2019/20 |
|-------------------------------|----------|
| Inbound | 85,473 |
| Average time to answer | 00:01:20 |
| Average duration | 00:04:12 |
| Abandoned | 4084 |

| Website views | 2018/19 | 2019/20 |
|-------------------------|---------|---------|
| Total views | 143,918 | 166,681 |
| Calculator views | 38,296 | 28,240 |

9.3 Annex C - Year-on-Year Key Performance Indicators (2018-19 vs 2019-20)

| Key Performance Indicators | Target | Volume | 2018/19 | Volume | 2019/20 |
|-------------------------------------|--------|--------|---------------|--------|---------------|
| New Awards (Timeliness) | 98% | 3437 | 99.56% | 2804 | 99.61% |
| New Payments Accuracy | 95% | 4594 | 96.18% | 3744 | 98.08% |
| Death in Service | 98% | 49 | 100% | 37 | 97.30% |
| Death in Pension/ Retirement | 98% | 1594 | 99.81% | 1559 | 100% |
| Transfer Value In (quote) | 100% | 346 | 99.13% (100%) | 300 | 100% (100%) |
| Transfer Value In (actual) | 90% | 262 | 91.98% | 316 | 94.94% |
| Transfer Value Out (quote) | 100% | 120 | 90% (99.17%) | 95 | 92.63% (100%) |

| | | | | | |
|---|------|-------|---------------|-------|-------------|
| Transfer Value Out (actual) | 100% | 61 | 98.36% (100%) | 51 | 100% (100%) |
| Estimates | 90% | 1835 | 82.23% | 1710 | 58.19% |
| Divorce CETV | 100% | 221 | 100% | 199 | 100% |
| Divorce PSOD | 100% | 16 | 100% | 15 | 100% |
| Refunds | 97% | 546 | 99.08% | 470 | 94.89% |
| Ministerial replies | 100% | 6 | 100% | 2 | 100% |
| Payroll/ Existing Pension (Changes) | 98% | 4196 | 99.38% | 2701 | 99.30% |
| Annual Statements * KPI deadline was 31 August | 100% | 67791 | 98.26% | 70920 | 98.23% |
| Annual allowance | 100% | 64 | 100% | 27 | 100% |
| Records Maintenance errors | 95% | 628 | 99.15% | 768 | 98.87% |
| Records Maintenance up to date | 97% | 86017 | 98.83% | 85696 | 99.05% |

9.4 Annex D - Complaints

| Complaints | 2018/19 | 2019/20 |
|----------------------|---------|---------|
| Received | 32 | 57 |
| Upheld | 11 | 25 |
| Partly upheld | 17 | 2 |
| Not upheld | 5 | 29 |
| KPI | 90.91% | 96.43% |

9.5 Annex E - Year End Annual Benefit Statement Update

Building on lessons learned from previous years ABS exercises, the Agency succeeded in delivering the best result, for the delivery of ABS to qualifying members, to date.

Digital ABS were issued by 31 August 2019 via SPPA My Pension Online Member Services to active members of the Scottish Teachers Scheme.

The results achieved were as follows:

| Scheme | ABS Produced | Issued On Time |
|----------------------------------|--------------------------|-----------------------|
| Teachers | 70,920 | 98.23% Issued On Time |
| Teachers (after recovery period) | 71,419* * 100% | |

The Agency's objective was to have all ABS issued by the regulated date of 31 August, however this was not possible in all cases and therefore a recovery period was set after that date, with the intention of continuing the required work to reach the target by 30 November 2019.

The shortfall below the target at 31 August was largely found to be due to data quality issues and in some cases employer's being unable to provide the required information timeously.

The failure to reach the required target by the set deadline, was reported to the Pensions Regulator (TPR).

Problems encountered in this year's exercise will be highlighted and considered for rectification as part of the Lessons Learned review leading in to the 2019/20 exercise.

9.6 Annex F - Year End Update on Reconciliation of Scheme's Guaranteed Minimum Pension (GMP)

Work continues to complete the reconciliation of the record of members contracted out periods of employment with those held in HM Revenue and Customs.

Reconciliation:

As at the end of the financial year 2019/20 the Project team had achieved a completion rate for reconciliation, based on all HMRC responses to queries raised, of 93.4%.

It is planned that the Project team will continue to process Teachers 'file reviews' into the next financial year which will further improve the reconciliation rate as a result.

The contractors therefore carried out additional data sampling, using the HMRC 'GMP checker' (an HMRC system for use by pension administrators at 'life events'), and established that the FDC included incorrect values. As a result the contractors developed a data validation process which will ensure that correct GMP values are used in all rectification cases.

Rectification:

The additional validation checks between SPPA data, the FDC and GMP checker data resulted in further revision to the project timescale, however, this work will reduce the number of rectification cases requiring to be processed. The contractor's completion date was therefore revised to December 20 with pension changes expected before the end of the financial year 2021.

SPPA analysis of contractor rectification test cases (over 50 calculations to cover various retiral scenarios) continues. The contractors test calculations will be reviewed and their methodology will be confirmed as being in line with SPPA expectations before any members records are adjusted.

Project staff have confirmed that the Board will be consulted prior to any communications being decided upon, to allow input to the process.

9.7 Annex G - Pension Board Costs

The Pension Board has incurred £5,058.80 of fees and expenses over the course of the year.