

## **Pension Board Annual Report 2020-21**

### **Scottish Teachers Pension Scheme**

**Approved by the Scottish Teachers' Pension Board on 2 September 2021**

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## 1. Introduction

The Public Service Pensions Act 2013 requires the establishment of a Pension Board with the responsibility for assisting the Scheme Manager for the Scottish Teachers' Pension Scheme in securing compliance with the scheme regulations and other legislation relating to the governance and administration of the scheme.

This report covers the work of the Scottish Teachers' Pension Board (the "Pension Board") from 1 April 2020 to 31 March 2021. The Scheme Manager for the Scottish Teachers' Pension Scheme is the Scottish Public Pensions Agency ("the Agency").

More detailed information about the Pension Board, including its Terms of Reference, membership, agendas and minutes of its meetings are available on SPPA's website.

<https://pensions.gov.scot/teachers/scheme-governance-and-legislation/pension-board>

## 2. Membership for the year to 31 March 2021

Details of the Pension Board members during the 2020-21 scheme year are set out below.

Member Name	Nominated by:	Date Joined/left Board
Clare Scott - Chair	n/a	Joined 01/04/2020
Raymond Martin - Vice Chair	n/a	
Brian Cookson	NASUWT	
John Crighton	SSTA	
David McGinty	EIS	
Drew Morrice	EIS	
Leah Franchetti	EIS	
Graham Hutton	School Leaders Scotland	
Debbie Walls	COSLA	Left 15/07/2020
Sharon McKenzie	COSLA	
Peter Smith	Colleges Scotland	
Councillor Charles Buchan	COSLA	
Councillor David Illingworth	COSLA	Left 31/01/2021
Louise Wright	COSLA	Joined 01/02/2021
Andrew McGoff	Universities Scotland	Joined 01/02/2021

During the year, the Agency increased the maximum tenure of members

of the Pension Board from 6 to 8 years. Some current members have served 6 years and hence this change has allowed these members to remain on the Board for a further 2 years.

As at 31 March 2021, there was one vacancy on the Board for an employer representative and COSLA have been asked to find a replacement.

All members of the Board are required to complete a register of interests on an annual basis and members are required to declare any potential conflicts of interest at each meeting relating to the matters on the agenda.

### 3. Meetings

During the 2020-21 scheme year, the Pension Board met on three occasions. The meeting scheduled for May 2020 was cancelled due to the pandemic.

Under normal circumstances meetings are held in the Agency's office in Tweedbank but due to the pandemic, all meetings during the year were held virtually.

Attendance of the Pension Board members at the meetings is set out in the table below. Representatives from SPPA also attended the meetings.

Pension Board Member	July 2020	October 2020	February 2021	Attendance Rate
	Attended	Attended	Attended	%
<b>Independent Members</b>				
Clare Scott – Chair	Y	Y	Y	100%
Raymond Martin - Vice Chair	Y	Y	Y	100%
<b>Member Nominated</b>				
Brian Cookson	Y	Y	Y	100%
John Crighton	Y	Y	Y	100%
David McGinty	Y	Y	Y	100%
Drew Morrice	Y	Y	Y	100%
Leah Franchetti	N	N	Y	33%
Graham Hutton	Y	Y	Y	100%
<b>Employer Nominated</b>				
Debbie Walls	Y	n/a		100%
Sharon McKenzie	Y	Y	Y	100%
Peter Smith	Y	Y	Y	100%
Cllr Charles Buchan	Y	N	Y	67%
Cllr David Illingworth	N	Y	n/a	50%
Louise Wright	n/a		Y	100%
Andrew McGoff	n/a		N	0%
<b>Meeting Attendance Average</b>	<b>85%</b>	<b>83%</b>	<b>92%</b>	<b>87%</b>

## 4. Training and Development

An induction pack is available for new Pension Board members and during the year, the Agency made significant efforts to refresh the induction material.

Pension Board members are responsible for completing the Pension Regulator's Toolkit on joining the scheme and to refresh their knowledge.

As outlined in the table below, the following training sessions were held virtually during 2022-21:

- The Pensions Regulator (TPR) provided an overview of their recent Governance & Administration Survey;
- An overview of the Scottish Teachers' Pension Scheme by the Government Actuary's Department;
- An update on the Agency's new Risk Management Framework and Breaches.

Pension Board Member	TPR Survey	Scheme Overview	Risk & Breaches
	October 2020	December 2020	February 2021
	Attended	Attended	Attended
Clare Scott - Chair	Y	Y	Y
Raymond Martin - Vice Chair	Y	Y	Y
Brian Cookson	Y	Y	Y
John Crighton	N	Y	Y
David McGinty	Y	Y	Y
Drew Morrice	N	N	Y
Leah Franchetti	N	N	N
Graham Hutton	N	N	Y
Debbie Walls	Y	n/a	
Sharon McKenzie	Y	Y	Y
Peter Smith	Y	Y	Y
Cllr Charles Buchan	Y	Y	Y
Cllr David Illingworth	N	N	n/a
Louise Wright	n/a		N
Andrew McGoff	n/a		N

In addition, the Agency provided the Pension Board with updates on significant regulatory changes at its regular meetings. Changes resulting from the judgement in the McCloud case were considered regularly over the year.

The Board are grateful to the Agency for organising the training sessions and for providing regulatory updates at meetings.

## **5. Work of the Board during 2020-21**

During the year, the Pension Board agreed a new agenda schedule which will be the basis for agendas for its meetings, as shown in Annex A.

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 delivery of the administration of the Scheme itself, to members and employers. This year has been particularly challenging due to the pandemic with staff having to work from home, changing working practices and additional pressures this has brought. Changes to the Agency staffing and delays in recruitment as a result of the pandemic have brought additional challenges.

During the year, as well as receiving regular updates on the effect of and response to the pandemic, the Board's agendas included a range of issues covering the following:

- Legislative changes
- Cyber security
- IT updates

## **6. Customer Service**

The Agency reported to the Pension Board at each meeting on the performance of its customer contact team. A table of performance of key services for the year can be found in Annex D. Performance of key tasks such as new awards (e.g. retirements) and deaths is generally very good.

As a result of the pandemic, some of the Agency's services were amended. This included the suspension of providing retirement estimates and telephone service restricted to bereavement and terminal ill health enquiries only.

The Agency reported errors in the application of the 2020 annual increase to pensions in payment for 3,197 members. The Agency responded quickly and corrected the errors by May 2020. The Pension Board were informed of the errors and worked with the Agency to understand the reasons for the errors and the Agency's controls to reduce the risk of such a mistake in future.

The Pension Board also received regular general updates on the cases where members have disputed their pension arrangement i.e. those being considered in the Internal Disputes Resolution Procedure.

The Pension Board has requested a number of changes in the performance indicators to improve oversight of the service and has offered assistance to work with the Agency to develop these.

## 7. Annual Benefit Statements

The production of the Annual Benefit Statements ('statements') before the statutory deadline of 31 August requires very considerable work within tight timescales for both employers and Agency staff. Pension scheme members access statements using the *My Pension Online* portal.

A subgroup of the Board met regularly over the summer of 2020 to monitor progress and assist the Agency where possible.

The 2020 statements were made available to members on the portal by 31 August. However inaccuracies in the statements were discovered and they were withdrawn early in September. The Agency undertook work to address the problem and the majority (97.93%) of corrected statements were available by 25 September, with a further 1,088 corrected statements (1.57%) available by mid-November, therefore the final outcome being 99.5% of members having an ABS available via the member portal.

363 members did not receive a benefit statement mainly due to data and technical issues, however the Agency agreed that if these members made contacted the Agency, a statement would be produced manually for them.

2,078 members were issued with a statement containing data up to 31 March 2019 as the employers had not provided data up to 31 March 2020. No members were issued with statements with data earlier than 31 March 2019.

The Agency reported this breach of the regulatory deadline to The Pension Regulator who confirmed it would take no further action.

The Agency also informed the Pension Board of the breach and kept the Pension Board informed of progress in addressing the problem. On behalf of the Pension Board, the chair also informed The Pension Regulator of the breach.

Later in the year, the Agency produced a 'lessons learned' report which included details of their plan to produce the 2021 statements. This was considered by the Pension Board and a subgroup of board members was set up to monitor progress against plan for the production of statements in 2021.

## 8. Risk Management

Over the course of the year to 31 March 2021, a risk register for the Scottish Teachers' Pension Scheme has not been provided by the Agency to the Pension Board.

The Agency has been reviewing its approach to risk management and provided an update to the Pension Board at a workshop in February 2021.

Oversight of the Agency's implementation of its new risk management approach will be a priority for the Pension Board in the coming months.

## **9. Forthcoming Changes to the Pension Scheme (the “McCloud” judgement)**

During the year, the Pension Board received regular updates from the Agency on the potential changes to the rules of the scheme as a result of court judgements which held that certain transitional protection provisions in another public sector scheme constituted unlawful age discrimination. Implementation of any changes could be particularly challenging for the Teachers' scheme due to the complexities around members' pensions (e.g. multiple employments).

## **10. Other Board Activity During the Year**

Other areas of the Agency's services which the Pension Board considered over the year are as follows:

- Procurement of a pensions administration system;
- Quality of member data received from employers. Towards the end of the year, the Agency reported to the Pension Board that it had abandoned its plans to implement the system interface which would facilitate the transfer of membership data from employers on a monthly basis. The Pension Board has requested further information from the Agency on its alternative plans to improve the timeliness of the transfer of membership data from employers. The Pension Board considers this a priority in order to reduce the risks of breaching regulatory standards, to improve services to members and to comply with expectations of The Pensions Regulator.
- Reconciliation of Guaranteed Minimum Pension records with HMRC data and ensuring records, and therefore pension entitlements, are accurate;
- Requests from some employers to delay the payment of employer contributions as a result of the pandemic;
- At the request of the Pension Board, the Agency is now providing a register of breaches at each meeting. The register includes records of breaches and whether they are considered significant enough by the

Agency, and separately by the Board, to be reported to The Pensions Regulator.

The Pension Board regularly offers its support and assistance to the Agency for example in reviewing draft communications.

Other notable developments during the year are as follows:

- Pension Board has kept its procedures under review through a self-assessment questionnaire completed anonymously by all members with conclusions reported to a full meeting. The chair also had follow-up calls with individual members. Areas for development included the format of future meetings (virtual, face-to-face or a combination), arrangements if meetings papers are issued late, communication for potential new members to clarify expectations of board members and a 'buddy' system for new members. The Pension Board requested feedback from the Agency on its effectiveness and this has developed into a broader discussion on how the Pension Board should 'assist' the Agency on an ongoing basis. These discussions are continuing.
- The Agency reviewed and updated the Terms of Reference of the Pension Board. At the request of the Pension Board, the specified minimum number of meetings was increased from 2 to 3.
- The Chair and/or the Vice-Chair of the Pension Board has received update briefings from the Chief Executive of the Agency (or the Interim appointment) during the year, along with chairs/vice chairs of the Agency's pension boards for other schemes.
- Links between the Pension Board and the Scheme Advisory Board have developed and the chair or vice-chair of the Pension Board is now able to observe the Scheme Advisory Board meetings

## **11. Forward Look**

Much of the Pension Board's business in 2020-21 will reflect its business in previous years i.e. its scrutiny of the Agency's service to members and employers and its compliance with regulatory standards and expectations of The Pensions Regulator. For example, development of more detailed performance indicators, assessment of member satisfaction, efforts to improve data quality and more detailed/frequent customer surveys.

Implementation of the changes because of the "McCloud case", will feature heavily at the Pension Board's meetings, as well as other major change projects at the Agency including the procurement of administration system and potentially changes resulting from the quadrennial valuation of the scheme. There will also be changes to be implement as a result of the "Goodwin" case; following an employment tribunal, survivor benefits payable to male survivors of females in opposite sex marriages will be equal to those payable to other categories of survivor.

In March 2021, The Pensions Regulator launched a consultation on its intention to combine its codes of conduct. The Pension Board responded to that consultation in May 2021, expressing its concern about the lack of clarity in a number of areas, including requiring the use of a new term "Governing Body". The Pension Board will work with the Agency to respond to changes to the regulator's code(s) to assess compliance and assist with changes required to ensure full compliance.

In terms of its own procedures, the Pension Board will review the format of its meetings, continue to focus on ongoing training, develop succession planning for Board members,

The Pension Board also looks forward to continuing discussions about how it can further assist the Agency.

## 12. Annexes

### 12.1 Annex A – Agenda Schedule

	Agenda Schedule				
	18 Feb	13 May	2 Sep	11 Nov	Ad-Hoc
Review of Agenda Schedule					
Actions Update					
Update from Working Groups / Sub-Groups					
Customer Services Update					
- Quarterly Dashboard and Metrics					
- Annual Allowance					
- Annual Pension Increase					
- Annual Benefit Statements					
- GMP					
- Overpayment Summary					
- Employer Data					
- Bi-annual Review of Employers (performance/starters/leavers)					
- Customer Incidents					
Business Management Update					
- Operational Risk Update					
- Risk Events					
- Breach reporting					
- Business Continuity / Disaster Recovery				Yearly	
- Security (Data Protection, Cyber, Physical, Information)		Yearly			
- Scheme Annual Report				Yearly	
Policy Update					
- Disputes Update (IDRP)					
- McCloud/Sargeant Legislation Update					See note 1
- Liaison with SAB					See note 2
- Participation rates					See note 2
Governance Update					
- Board Membership Update / Succession Planning					
- Terms of Reference Review	Yearly				
- PB Annual Report			Yearly		
- PB Self-Assessment	To be agreed with Chairs				
- Annual Conference	TBC - Spring 2021 and yearly thereafter				
- Training Webinars	Propose Quarterly out-with Pension Boards				
- Other Governance matters					
Digital Transformation & IT Update					
- Altair Programme Update					When req'd
- iConnect MSS Update					When req'd
- Platform Procurement Update					
Audit Reports – relevant Internal Audit, Audit Scotland and other third party reports					
Communications Update					
- Internal Comms initiatives and/or Customer Comms Projects					When req'd

1. Likely no update until December 2020 at the earliest when the UK Government responds to the consultation. During 2021 the item will become a regular 'implementation' update, likely part of the Customer Services update.
2. SAB do not have specified schedule of meetings. Liaison would be as/when meetings are arranged and participation rate reports are produced as part of the papers.

## 12.2 Annex B - Scheme Membership

	March 2020	March 2021
<b>Members</b>	75,633	77,010
<b>Pensioners</b>	82,604	77,371
<b>Deferred</b>	23,486	16,984
<b>TOTAL</b>	<b>181,723</b>	<b>171,365</b>

## 12.3 Annex C - Customer Contacts

Key Performance Indicators		2019/20		2020/21	
	Target	Total Volume	Achieved	Total Volume	Achieved
Answer call within 60 seconds	90%	85,473	68.72%	25,527	92%
Email reply within 24 hrs	90%	53,828	45.02%	153,395*	58%
First call resolution	80%	81,158	82.02%	Not measured – critical calls only	
Positive customer satisfaction	80%	1,432	88.76%		

Telephony statistics	2019/20	2020/21
Inbound	85,473	25,527
Average time to answer	1 min 20 seconds	34 seconds
Average duration	4 minutes 12 seconds	4 minutes 32 seconds
Abandoned	4,084	10,917*

\* critical calls only therefore 'routine' enquiries were directed to email

Website views	2019/20	2020/21
<b>Total views</b>	166,681	131,281
<b>Calculator views</b>	28,240	30,300

## 12.4 Annex D - Year-on-Year Key Performance Indicators (2019-20 vs 2020-21)

Key Performance Indicators	Target	Volume	2019/20	Volume	2020/21
New Awards (Timeliness)	98%	3437	99.56%	2253	99.11%
New Payments Accuracy	95%	4594	96.18%	3582	95.92%
Death in Service	98%	49	100%	60	95.00%
Death in Pension/ Retirement	98%	1594	99.81%	1822	99.73%
Transfer Value In (quote)	100%	346	99.13% (100%)	232	97.84% (97.84%)
Transfer Value In (actual)	90%	262	91.98%	154	33.12%
Transfer Value Out (quote)	100%	120	90% (99.17%)	72	84.72% (100%)
Transfer Value Out (actual)	100%	61	98.36% (100%)	44	100% (100%)
Estimates	90%	1835	82.23%	235	77.87%
Divorce CETV	100%	221	100%	165	100%
Divorce PSOD	100%	16	100%	11	100%
Refunds	97%	546	99.08%	209	99.52%
Ministerial replies	100%	6	100%	3	100%
Payroll/ Existing Pension (Changes)	98%	4196	99.38%	793	99.12%
Annual Statements * KPI deadline was 31 August	100%	67791	98.26%	73188	0.00%
Annual allowance	100%	64	100%	60	45.00%
Records Maintenance errors	95%	628	99.15%	420	99.45%
Records Maintenance up to date	97%	86017	98.83%	89032	99.08%

## 12.5 Annex E - Complaints

Complaints	2019/20	2020/21
Received	57	75
Upheld	25	39
Partly upheld	2	15
Not upheld	29	21
KPI	96.43%	93.33%

## 12.6 Annex G - Year End Update on Reconciliation of Scheme's Guaranteed Minimum Pension (GMP)

During the Financial Year 2020/21 work progressed to conclude the reconciliation of member's contracted out periods of employment, with those held in HM Revenue and Customs, and advanced to initial rectification processes.

### Reconciliation:

During the financial year 2020/21 reconciliation progressed from 93.4% complete to 99.8% complete which is an additional 34,429 records, bringing the total records reconciled to 569,493. The SPPA team completed an additional 4,411 file reviews using individual review and bulk analysis.

HMRC issued their scheme final reconciled data cut to the Agency in February 2020. On initial analysis of the data, anomalies were discovered when compared to HMRC responses to reconciliation queries. A rate of around 15% of all records. A data validation process using another HMRC system was developed – the GMP Checker (used for general pension calculations) to establish their definitive GMP values.

### Rectification:

The additional validation checks between Agency data, the final date cut and GMP checker data resulted in further revision to the project timescale, however, this work improved data quality and will reduce the number of rectification cases requiring to be processed.

The Agency will continue to investigate any additional rectification 'file reviews' into Quarter 1 of 2021/22 followed by running of bulk rectification calculations.

The Agency will provide the Board with copies of any communications to be issued to affected pensioners.

## 12.7 Annex H - Pension Board Costs

The Pension Board has incurred £5,278.00 of fees and expenses over the course of the year.