



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

Contact: Linda Welsh, Pension Scheme Manager, Ext: 77463

Item 4

27th November 2019

Administration Performance to 30th September 2019

Purpose of Report:

To advise the Committee of pensions administration performance to 30th September 2019.

Recommendations:

The Committee is asked to **NOTE** the contents of this report.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes No consulted: Yes No

PLEASE NOTE THE FOLLOWING:

Any Ordnance Survey mapping included within this Report is provided by Glasgow City Council under licence from the Ordnance Survey in order to fulfil its public function to make available Council-held public domain information. Persons viewing this mapping should contact Ordnance Survey Copyright for advice where they wish to licence Ordnance Survey mapping/map data for their own use. The OS web site can be found at <http://www.ordnancesurvey.co.uk> "

If accessing this Report via the Internet, please note that any mapping is for illustrative purposes only and is not true to any marked scale

1 Strathclyde Pension Fund Office (SPFO)

Total staff in post at end September was 84 permanent (FTE 79.5) plus 8 modern apprentices. (End March: 85 permanent (FTE 81.1) plus 4 modern apprentices.)

Appendix 1 shows the current staffing structure and key functions within the pensions administration sections.

2 Membership

2.1 Local Government Pension Scheme (LGPS)

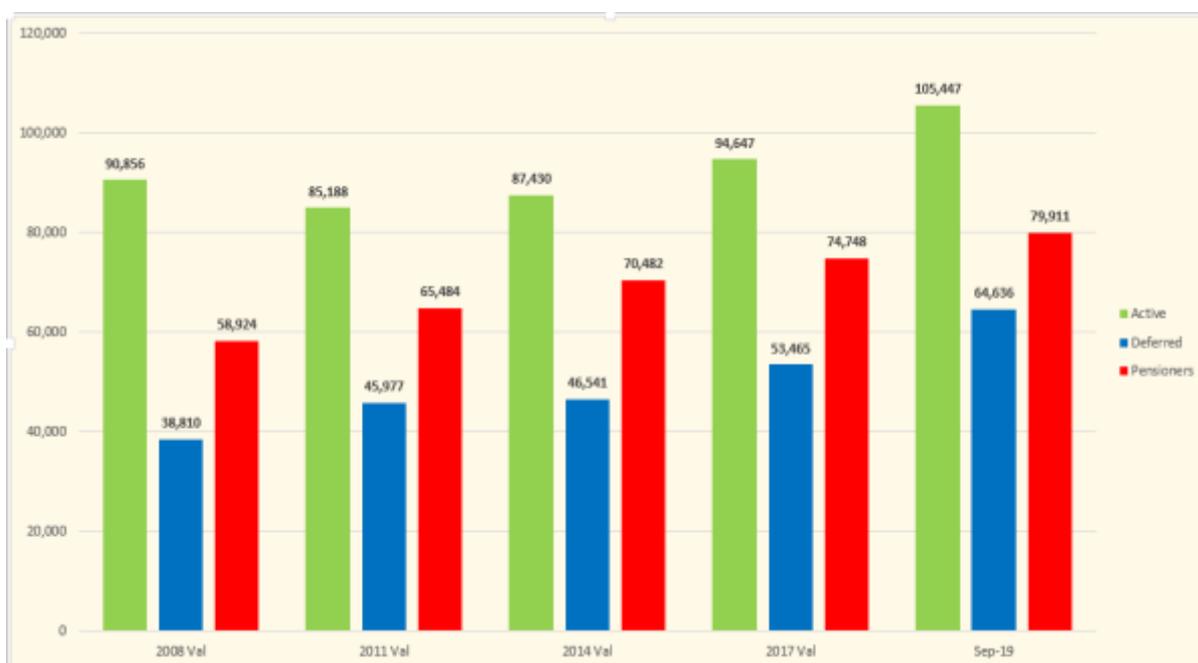
The following table summarises the movement in scheme membership during the six-month period to 30th Sep 2019.

MEMBERSHIP ANALYSIS Strathclyde Pension Fund				
STATUS	TOTAL AT 01 April 2019	TOTAL OFF	TOTAL ON	TOTAL AT 30 Sept 2019
Active	100,441	3,348	8,354	105,447
Deferred / Undecided Leavers	62,599	1,031	3,068	64,636
Pensioners	79,234	901	1,578	79,911
TOTAL	242,274	5,280	13,000	249,994

All categories of membership increased during the six-month period.

The chart below shows movement in membership since the 2008 actuarial valuation. Employee membership has resumed an upward trend after a period of decline. Deferred and pensioner membership has increased steadily.

Membership Analysis at 30th September 2019



2.2 Teachers Compensation

In addition to its statutory function of administering the Local Government Pension Scheme, SPFO also acts as a payroll agent for compensatory added years' payments to 8,870 members of the Scottish teachers' superannuation scheme.

3 Employers

3.1 Participating Employers

The table below shows number of employers participating in the Fund.

Total employers at 1st April 2019	172
New employers	0
Exiting employers	4
Total employers at 30th Sep 2019	168

Employers include the 12 Local Authorities in the west of Scotland, whose employees constitute around 80% of the active membership.

Further details are set out in **Appendix 2**.

3.2 Employer Performance

3.2.1 Submission of Year End Returns

One of the most pressing requirements for employers during the quarter to end June is to provide year end returns to SPFO. This is a statutory requirement: regulation 75(3) of The LGPS (Scotland) Regulations requires each employer to provide a return of specified details for each employee who has been an active member during the Scheme year. The Statutory deadline for this return is 30th June. Only one employer failed to provide the required information within this timescale.

3.2.2 Errors From Year End Returns

Year end returns, once received, are uploaded to the SPFO pensions systems. This process identifies various errors. Among these are mismatches between the employer payroll data and SPFO database. These arise because the employer has failed to notify SPFO of scheme joiners and leavers during the year. The table below summarises the position at 30th September 2019.

	30 Sep 2019		30 Sep 2018	
	Members	(%)	Members	(%)
Record status matched	103,480	98.1	94,563	98
Missing new start data	611	0.6	1,148	1.2
Missing leaver data	1,356	1.3	778	0.8

At **1.9%**, the combined error rate is lower than at this point in 2018 when the rate was **2.0%**. A combined year-end target of **<2%** was agreed in the

2019/20 Business Plan. This target has now been achieved – earlier than in any previous year.

3.2.3 Employer Payments to SPFO

Employers are required to pay contributions to SPFO by 19th of the month after they are deducted from payroll. The table below summarises the performance of the local authority employers during the six month period.

Contributions received by SPFO by due date	Target	Actual
	(%)	(%)
Quarter 1 (1 st April – 30 th June)	100	100
Quarter 2- (1 st July – 30 th September)	100	100

There were no incidences of late payment of contributions by the Fund's principal employers during the six month period. SPFO monitors receipt of contributions and engages directly with employers over late or missing payments.

3.2.4 Monthly Data Submissions

Employers are required to provide a monthly submission of new member details to SPFO. The table below summarises the performance of the 12 local authorities during the six month period

Reporting Period	No of Submissions		Actual 19/20 (%)	Target 19/20 (%)	Actual 18/19 (%)
	Received	Expected			
Quarter 1	31	36	86	95	78
Quarter 2	34	36	94	95	97

SPFO monitors receipt of these submissions and engages directly with employers over late or missing returns.

3.2.5 i-Connect

i-Connect is an automated solution to the management of data transfer between scheme employers and SPFO. Employer use of *i-connect* as at end September is summarised as follows.

i-Connect	Measure	Actual	Target 19/20	2018 Actual
	▪ total extract returns	18	18	13
	▪ total online returns	51	85	35

Employer uptake is progressing steadily. At its September meeting, the Committee approved a deadline of 31st March 2021 for all employers to adopt *i-Connect*. SPF is working with employers to ensure the deadline is achieved.

3.2.6 Notification of Retirements

SPFO requires employers to provide notification 2 months in advance of employee retirements. The table below summarises employer performance during the six month period.

2 months' notice of Retiral	Total Retirals	Target (%)	Actual (%)	Actual 18/19 (%)
Quarter 1	658	100	47	40
Quarter 2	681	100	52	54

4 SPFO Performance

4.1 Transaction Processing

Pensions administration is carried out on the *Altair* pensions system within SPFO. Operational efficiency is monitored through a workflow management system. The table below shows performance against SPFO targets and statutory deadlines during the six month period top end September.

Transaction	Volume		SPFO Target		Actual		Statutory Deadline	Actual	
	Q1	Q2	Days	(%)	Q1 (%)	Q2 (%)		Q1 (%)	Q2 (%)
New Starts	4,993	7,870	15	95	98.8	100	1 month	100	100
Refunds	463	624	7	90	93.5	90.7	n/a	100	100
Deferred	222	571	10	90	84.2	98.3	2 months	99.6	100
Retiral Estimates	806	669	20	80	92.2	99.1	2 months	99.6	99.1

SPFO targets were achieved in each quarter for new starts, refunds and retiral estimates. Deferrals were below target in Q1 but achieved target Q2. Statutory deadlines were achieved in all but a very small number of cases.

4.2 Payments

SPFO's most critical function is to ensure that the pensions payroll is run on time each month. The table below summarises performance in respect of member payments during the six month period.

SPFO Payments	SPFO Target (%)	Actual	
		Q1 (%)	Q2 (%)
Pensions payroll run on time	100	100	100
New retirals processed for due payroll date	95	98.3	99
Retirement lump sums paid on retirement date	95	97.2	96

Targets were achieved in all of the above categories.

5 The Pensions Regulator (TPR)

Since April 2015, the Pensions Regulator (TPR) has been responsible for regulating the governance and administration of public services pension schemes in the UK. TPR expects, and monitors, compliance with its *Code of Practice 14: Governance and administration of public service pension schemes*.

5.1 Reporting to (TPR)

In accordance with Code 14, all breaches of the law (including breaches of the scheme regulations) must be recorded. If they are likely to be of material significance they require to be reported to TPR. During the 6 months to end September, the following breaches were recorded.

- SPFO failed to issue all 2019 active member benefits statements by 31st August. The cause of this was employer failure to supply new start data for **988** active members. **99%** of active members did receive their statement on time (*98.2% in 2018*). Data was subsequently provided for 377 of the new members and they will receive their statements in early December. Given the small number, and that the delay would be unlikely to prevent any member from carrying out financial planning, this breach was not deemed likely to be of material interest.
- In May, SPFO submitted a breach of law report to TPR as a result of processing delays in respect of deferred benefits information. A project team was then established to address the backlog of cases. Of the 3,497 originally outstanding, 3,417 have now been completed. The remaining 80 require further investigation with the relevant employers. In Quarter 2 all deferred benefits were completed within statutory timescales.
- Some other minor breaches were recorded as a result of processing delays.

5.2 TPR Developments

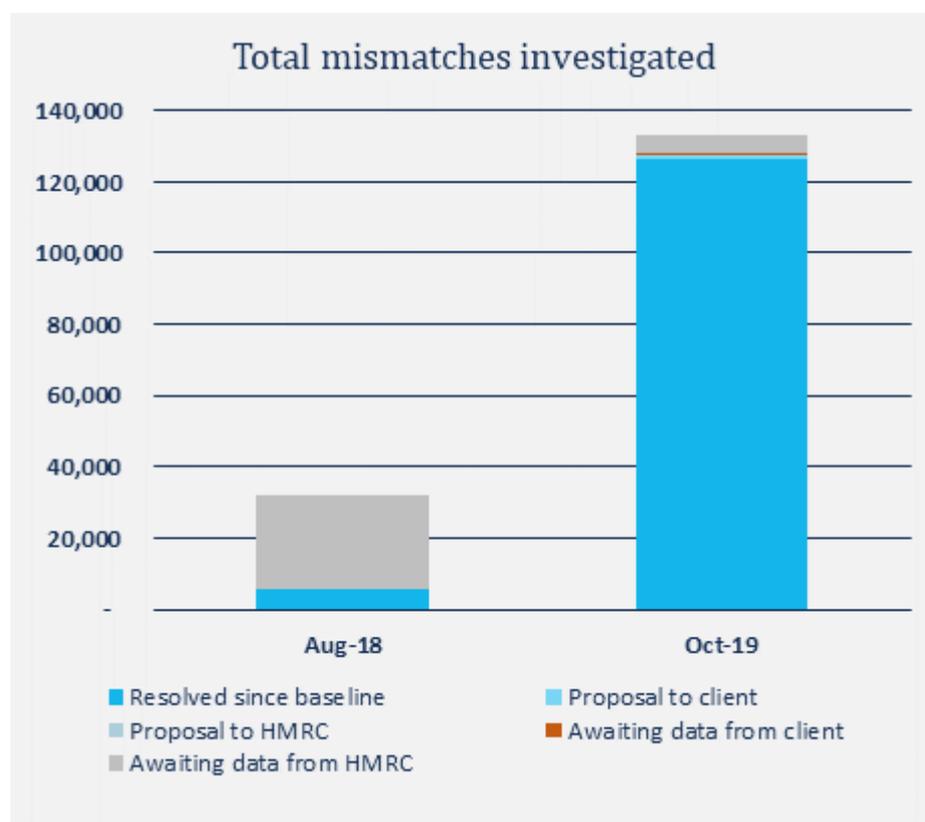
During September, TPR published a report on engagement with 10 LGPS funds between October 2018 and July 2019. The report analyses governance and engagement risks in the scheme, comments on scheme managers' approaches, and suggests a number of improvements that can be made.

In October, TPR published a Regulatory Intervention report on one English LGPS Fund.

Also in October, TPR asked the trustee boards of 400 schemes to conduct a data review within 6 months. Those that fail to do so may face action, which could include an improvement notice about their inadequate internal controls. TPR describes this as the beginning of a crackdown on poor record keeping by schemes.

6 GMP Reconciliation and Remediation Project

In December 2017 the Committee approved a proposal for a comprehensive project to reconcile and correct Guaranteed Minimum Pension (GMP) values for SPF scheme members. This project remains a priority in the SPFO 2019/20 business plan. SPFO's contractor, ITM, has provided regular update reports since the project's start - the baseline date of 6 July. Progress to date is summarised in the table below.



When the project started there were 269,758 cases in scope and 134,763 discrepancies were identified. 94% of these cases have now been resolved. Project status is green. The final HMRC GMP data extract is expected by the end of December 2019 this will allow phase 1 of the project (reconciliation) to be completed and phase 2 – rectification to commence.

Target completion date of the project is now July 2020.

7 Customer Engagement

7.1 Member Communications

The vision set out in SPFO's Communications Policy is that everyone with an interest in the Fund should have ready access to all the information they need. SPFO is committed to increasing digital access and delivery. The table below summarises digital engagement as at 30th September 2019.

Customer Engagement	Actual (YTD)	Target 2019/20
Total signed up for <i>SPFOnline</i>	78,530	70,000
Website visits to: www.spfo.org.uk	192,000	312,000

2019/20 target for users of the member portal *SPFOnline* has already been achieved. Website visits are ahead of target. Both measures increased significantly during the six month period as a result of Annual Benefit Statements and newsletters being issued.

7.2 Customer Satisfaction

SPFO uses a rolling customer survey to measure members' satisfaction with the quality of service delivery. Scheme members receive a one-page questionnaire when each significant transaction is processed.

A minimum overall score of **80%** for refunds and **90%** for retirals were agreed as targets for 2019/20. Survey results are summarised in the following table. In addition, comments received in the survey responses are followed up as a means to continuously improve service.

Survey Results – 1st April to 30th September

	Q1		Q2	
	Refunds	Retirals	Refunds	Retirals
Forms issued	463	753	624	837
Responses	253	179	359	229
Response rate (%)	54.6	23.8	57.5	27.4
Satisfaction Rating (%)	84.3	92.4	83.8	89.0
<i>2018/19 full year (%)</i>	<i>84.8</i>	<i>90.1</i>	<i>84.8</i>	<i>90.1</i>

Target was achieved for both refunds and retirals in Q1. In Q2 refunds were achieved, with retirals just slightly below target.

7.3 Complaints Procedure

Complaints received by SPFO are actioned in accordance with Glasgow City Council's Complaints Handling procedure. All complaints are recorded using complaints monitoring and recording system, Lagan.

Stage 1 complaints must be answered within 5 working days. Members can proceed to stage 2 if not satisfied with response.

Stage 2 complaints must be answered within 20 working days. The Pension Scheme Manager will respond to these. An acknowledgement letter must be issued within 3 days.

If the member still remains dissatisfied they have the right to refer the complaint to the Scottish Public Services Ombudsman.

Complaints Received – 1st April to 30th September

Category	Volume	Days to Respond		Achieved (%)
		Target	Actual Average	
Waiting Time- Correspondence	5	5	3.4	100
Process Delay	10	5	6.2	90
Quality Of Information – Stage 1	5	5	3.8	100
Quality of Information – Stage 2	1	20	10	100
Procedure	1	5	6	0

Target response times were achieved in most cases.

8 Policy and Resource Implications

Resource Implications:

<i>Financial:</i>	None
<i>Legal:</i>	None
<i>Personnel:</i>	None
<i>Procurement:</i>	None

Council Strategic Plan: Strathclyde Pension Fund aligns with the theme of a well governed city.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2017-22 Equalities issues are addressed in the Fund's Responsible Investment strategy, in the scheme rules which are the responsibility of Scottish Government and in the Fund's Communications Policy which has been the subject of an Equalities Impact Assessment.

What are the potential equality impacts as a result of this report? No specific equalities impacts.

Please highlight if the policy/proposal will help address socio economic disadvantage. Not applicable.

Sustainability Impacts:

Environmental: No impact

Social, including opportunities under Article 20 of the European Public Procurement Directive: No impact

Economic: No impact

Privacy and Data Protection impacts: None

9 Recommendation

The Committee is asked to note the contents of this report.

Appendices

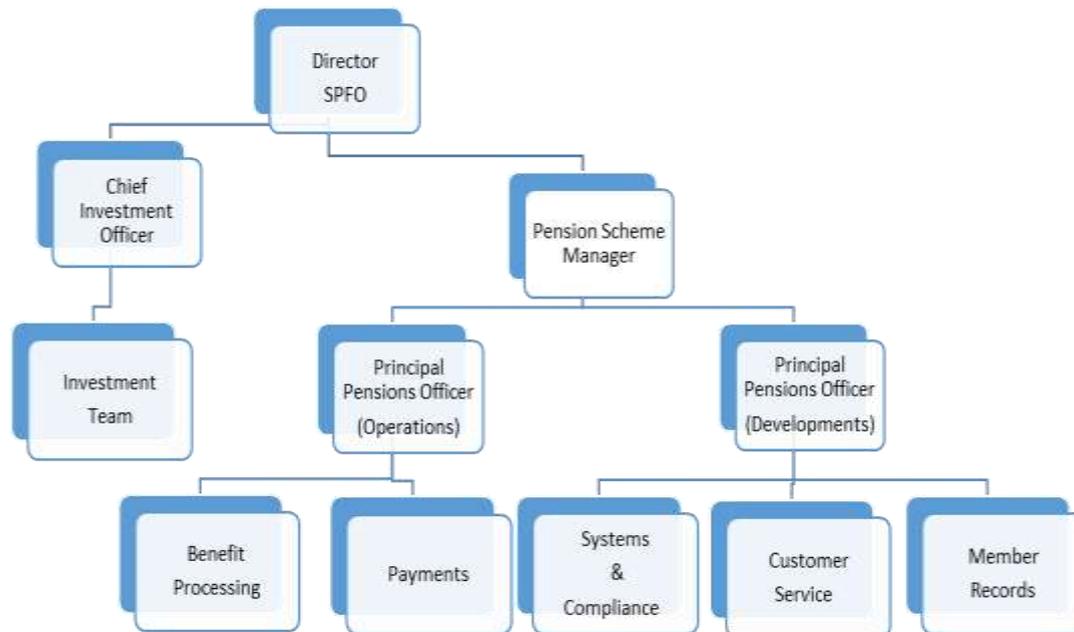
Appendix 1

SPFO

Appendix 2

Employers

SPFO

SPFO Structure

Section	Key Functions	Indicative Volume
Customer Service	<ul style="list-style-type: none"> call handling and switchboard email: SPFO inboxes, pulse mail sorting, scanning & issue 	<ul style="list-style-type: none"> 35,000 calls p.a. 23,000 messages p.a. 700 items per day
Systems & Compliance	<ul style="list-style-type: none"> system & website maintenance member communications data protection, system security and business continuity 	<ul style="list-style-type: none"> 260,000 visits per annum 160,000 benefit statements, newsletters to all members
Member Records	<ul style="list-style-type: none"> maintain member database update for new members & status changes 	<ul style="list-style-type: none"> 240,000 records 24,000 p.a.
Benefit Processing	<ul style="list-style-type: none"> calculation and processing of a range of provisional and actual benefits 	<ul style="list-style-type: none"> 12,000 p.a.
Payments	<ul style="list-style-type: none"> payments in: monthly contributions for c.180 employers and 95,000 employees payments out: lump sums and monthly pension payroll for 85,000 pensioners 	<ul style="list-style-type: none"> >£500m p.a. >£500m p.a.

Employers

Participating Employers

Participating employers include:

- the 12 local authorities in the west of Scotland;
- Police Scotland, Scottish Fire and Rescue, and Scottish Water;
- a number of universities and colleges;
- local authority subsidiary companies and contractors; and
- a wide range of other organisations with funding or service links to the local authority sector.

New Employers

New employers may participate in the Fund subject to satisfying the requirements of the Local Government Pension Scheme (Scotland) Regulations and the Fund's policy on admissions. The regulations require any new admission body to provide a bond or a guarantee in respect of any future liabilities relating to their participation in the Fund.

There were no new employers during the reporting period.

Exiting Employers

The process for an exiting employer is set out in regulation 61 which requires the Fund actuary to calculate an exit payment. The calculation is usually carried out on a cessation basis which means that the payment due from the employer can be substantial. SPFO has developed procedures to manage employer exits through phased payments both before and after the event.

4 employer exits were confirmed during the six month period.

Employer	Exit Date	Status
Town Centre Activities	31 st March 2019	Exit agreement signed and exit credit of £62,000 paid to employer in September.
Riverside Inverclyde	30 th June 2019	Exit debt £381,000. Liabilities guaranteed by Inverclyde Council. Exit agreement to be concluded with Inverclyde Council assuming responsibility for the liabilities and no exit payment required.
North Lanarkshire Leisure	21 st June 2019	Merged with North Lanarkshire Culture to create Culture and Leisure NL Limited. All liabilities transferred across.
West Of Scotland Colleges Partnership	30 th September 2019	Exit credit of £134,000 to be paid on conclusion of exit agreement

Discussions on payment arrangements with a number of previous exiting employers continue. These include BCD Credit Union and Aspire2gether. A final dividend of £46,000k (30p in £) was received in July in respect of the Alpha Project. Deaf Connections went into administration in August, defaulting on an agreed payment arrangement.