



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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

Item 10

2nd September 2020

Administration Update

Purpose of Report:

To advise the Committee of pensions administration activity, and performance to 30th June 2020.

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 SPFO Response to COVID-19

SPFO's response to COVID-19 has gone through several phases:

- Office closed from 24th March. Staff working from home where possible.
- Office re-opened week commencing 6th April for critical functions with capacity of 15. (Normal capacity 112; total FTE 84).
- Capacity increased to 23 in late May and 36 from mid-July after full risk assessment and consultation with HR, DRS, Health & Safety and the Trade Unions.

It is anticipated that for the foreseeable future, service will be delivered through a combination of:

- Office-based staff – up to 36 at any time; and
- Working from Home - availability of mobile devices has increased to 25.

Office attendance and mobile device allocation are planned weekly to address priorities and maximize productivity.

SPFO building is open 24/7, so flexible working patterns can be accommodated.

Arrangements may change in line with Government and other guidance.

2 Service Priorities

SPFO's overriding business continuity priority is to ensure that the monthly pensions payroll is run and payments are received on time by the 90,000 pensioner members. In line with guidance from The Pensions Regulator (TPR), new retirements and processing of deaths have also been prioritised.

3 SPFO Performance

Performance for the quarter 1st April to 30th June 2020 is summarised as follows.

3.1 Payments

SPFO Payments			
	SPFO target	Achieved	Last quarter
Pensions payroll run on time	100%	100%	100%
New retirals processed for due payroll date	95%	94.0%	98.3%
Retirement lump sums paid on retirement date	95%	89.9%	98.3%

604 retirals were processed during the quarter (658 in same quarter 2019).

3.2 Other Transactions

Transaction	Volume	SPFO			Statutory	
		Target		Actual	Deadline	Actual
		Days	%	%		%
New Starts	2,481	15	95.0	41.0	1 month	94.5
Refunds	526	7	90.0	85.6	n/a	99.1
Deferred	278	10	90.0	74.5	2 months	89.2
Retiral Estimates	172	20	80.0	91.3	2 months	98.3

3.3 Customer Satisfaction

	Refunds	Retirals
Forms issued	360	604
Responses	233	210
Response rate (%)	64.7	34.8
Satisfaction Rating (%)	83.5	90.8
<i>2019/20 full year (%)</i>	<i>84.4</i>	<i>90.7</i>

3.4 Complaints

Category	Volume	Days to Respond		Achieved (%)
		Target	Actual (Average)	
Waiting Time- Correspondence	3	5	4	100%
Process Delay	6	5	3	100%
Quality Of Information	1	5	6	0%
Procedure	1	5	4	100%
Staff Attitude– Stage 2	1	20	9	100%

3.5 Performance Commentary

Whilst not in line with previous periods, performance over the quarter was generally satisfactory given the circumstances. In particular:

- a full payroll was run and paid each month without incident. The payroll was run remotely during the first phase of lockdown;
- other payments and transactions continued to be processed throughout the period, albeit with some delays; and
- satisfaction was high and few complaints were received (albeit some customer dissatisfaction may not have been captured through these processes).

In addition to the general disruption caused by COVID-19, there were some specific issues. These included:

- delays in obtaining documentation
- delays in obtaining medical reports
- a higher volume of deaths among pensioners (980 reported in the period, an increase of 37% over previous year).

Workarounds such as electronic signatures and photos of documentation were accepted wherever possible.

One area of non-performance was that the SPFO call centre was closed for the entire quarter. It re-opened in early August with some restrictions.

Transfer value quotations were paused for 6 weeks following TPR guidance.

Some breaches of statutory deadlines did occur, but TPR eased normal reporting restrictions for the quarter, and no report will be required.

4 Employer Performance

Employer Performance for the quarter 1st April to 30th June 2020 is summarised as follows.

4.1 Submission of Year-End Returns

The Statutory deadline for year-end data returns is 30th June. All employers provided the required information within this timescale. This is critical in allowing SPFO to progress the actuarial valuation as at 31st March 2020 issue of Annual Benefit Statements to all 108,000 employee members by the statutory deadline of 31st August.

4.2 Errors From Year End Returns

	30 June 2020		30 June 2019	
	Members	(%)	Members	(%)
Record status matched	106,898	98.8	98,330	96.6
Missing new start data	403	0.4	1,630	1.6
Missing leaver data	837	0.8	1,865	1.8
Total	108,138	100	101,825	100

The total error rate of 1.2% is a significant improvement on last year and achieves the year-end target of <1.5%.

4.3 Employer Payments to SPFO

Employers are required to pay contributions to SPFO by 19th of the month after they are deducted from payroll.

Local Authority Employers	Target	Actual	Last Quarter
	(%)	(%)	(%)
Contributions received by SPFO by due date	100	100	100

There were no late payments from Local Authority employers, and only a very small incidence from other employers.

4.4 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 local authorities during the quarter.

Apr	May	June	Total	Total Expected	Target	Achieved	Last Quarter
11	11	12	34	36	95%	94%	97%

5 Membership and Other Statistics

Some analysis of scheme membership, scheme employers and digital service delivery is included in Appendix 1.

6 Scheme Developments

On 4th August, the Scottish Government issued proposals to amend the regulations governing 'transitional protection' in the Local Government Pension Scheme (LGPS). These amendments are required following a successful legal challenge to transitional protection arrangements in the firefighters' and judicial pension schemes (The McCloud and Sargeant judgements). The proposals are subject to consultation. SPFO will contribute to a technical response with other Scottish LGPS funds. Closing date for responses is 23rd October 2020. The consultation is available at: <https://pensions.gov.scot/local-government/scheme-governance-and-legislation/consultations>

A summary of the proposals is set out in Appendix 2.

It has also been confirmed that work on the Cost Cap valuation of the scheme, which had been paused pending resolution of the McCloud issue, will now resume. This is likely to lead to further changes to the scheme regulations.

Regulatory changes are also awaited in other areas where discrimination has been identified.

7 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

8 Recommendation

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

Appendices

Appendix 1

Appendix 2

Membership and Other Statistics

Consultation on Proposed Changes to the Scheme Regulations

Membership and Other Statistics

Membership

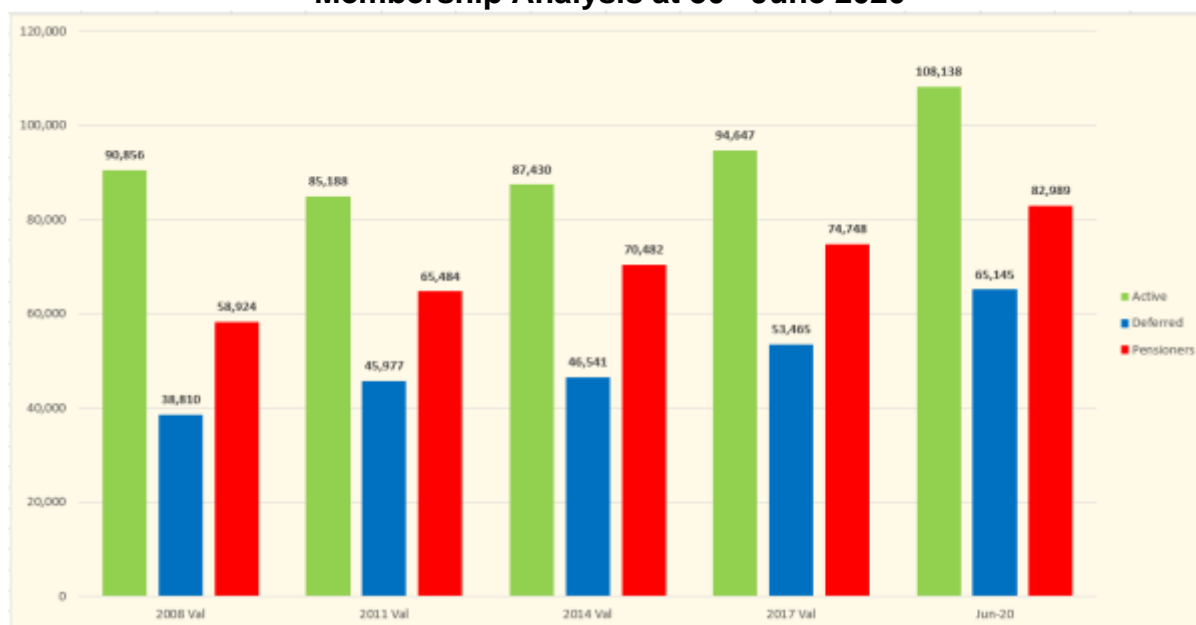
Local Government Pension Scheme (LGPS)

The following table summarises the movement in scheme membership during the quarter to 30th June 2020.

MEMBERSHIP ANALYSIS Strathclyde Pension Fund				
STATUS	TOTAL at 01 April 2020	TOTAL OFF	TOTAL ON	TOTAL at 30 June 2020
Active	108,330	1,013	821	108,138
Deferred / Undecided Leavers	65,415	716	446	65,145
Pensioners	81,633	577	1,933	82,989
TOTAL	255,378	2,306	2,200	256,272

The chart below shows movement in membership since the 2008 actuarial valuation.

Membership Analysis at 30th June 2020



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 8,711 members of the Scottish teachers' superannuation scheme.

Membership and Other Statistics

Participating Employers

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

Total employers at 1st April 2020	168
New employers	0
Exiting employers	0
Total employers at 30th June 2020	168

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

One new employer, Churchill Security Services, commenced participation in the Fund during July. The Scottish Police Authority has provided a guarantee and is a party to the admission agreement.

Digital Delivery

Digital capabilities have been critical to service delivery during the period of COVID-19 disruption.

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 June is summarised as follows.

Measure	Actual	2020/21 Target	2019/20 Actual
Total extract returns	46	100%	23
Total online returns	85	100%	75

SPFOnline

SPFOnline is a portal which allows members to view and amend their pension records and carry out illustrative pension calculations.

Customer Engagement	Actual	2020/21 Target	2019/20 Actual
Total signed up for SPFOnline	87,304	84,000	83,659
Weekly visits to: www.spfo.org.uk	8,307	7,700	7,259

Consultation on Proposed Changes to the Scheme Rules

The *McCloud* and *Sargeant* cases

Soon after the reformed scheme benefit structures were introduced in other public service pension schemes in April 2015, legal challenges were brought against the transitional protection arrangements in the judicial and firefighters' pension schemes ('*McCloud*' and '*Sargeant*', respectively) on grounds that the transitional protections offered to older workers constituted unjustified direct age discrimination. In those cases, younger firefighters and judges argued that younger workers were treated less favourably than older workers who were given transitional protection. The Court of Appeal ruled in December 2018 that transitional protection in the judicial and firefighters' pension schemes gave rise to unlawful age discrimination. The UK Government sought permission to appeal to the Supreme Court. This application was refused on 27 June 2019. In a written ministerial statement on 15 July 2019, the government explained that it accepted that the Court of Appeal's judgment had implications for all schemes established under the Public Service Pensions Act 2013, as all schemes had provided transitional protection arrangements for older members. The government confirmed that it would take steps to address the difference in treatment across all schemes and for all members with relevant service, regardless of whether they had lodged a claim. Since summer 2019, the Scottish Public Pensions Agency (SPPA) have been considering the changes necessary to remove the unlawful discrimination from LGPS regulations in Scotland.

Proposed Approach for LGPS in Scotland

Unlike most other public service pension schemes, the LGPS provided transitional protection to its older workers via a statutory underpin. All members moved into the 2015 Scheme on the reform date of 1st April 2015, but protected members were given a statutory underpin that provides their retirement pension cannot be less than it would have been in the 2009 Scheme.

Through the *McCloud* and *Sargeant* cases, the Courts identified unjustified age discrimination in transitional protection arrangements in the Judicial and Firefighters' Pension Schemes. This unlawful discrimination exists between two groups of LGPS members:

- those who were in service on 31 March 2012 and were within ten years of Normal Pension Age (NPA) on 1st April 2012, therefore benefiting from underpin protection; and,
- those who were in service on 31 March 2012 and were more than ten years from NPA, and so were not eligible for underpin protection.

At a high-level, SPPA's proposal for removing the unlawful age discrimination from the LGPS is to extend underpin protection to the second group of members listed above i.e. those who were not old enough to receive underpin protection when it was originally introduced. This should ensure that the two groups listed are treated equally for benefits accrued from April 2015 onwards.