



Notice of Meeting and Agenda

Pensions Audit Sub-Committee

2.00 pm Tuesday, 8th December, 2020

Meeting will be by conference call

The law allows the Sub-Committee to consider some issues in private. Any items under "Private Business" will not be published, although the decisions will be recorded in the minute.

Contacts:

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1. Quorum Check

- 1.1 The Convener will check to ensure a quorum is in attendance to ensure the meeting can proceed.

2. Order of Business

- 2.1 Including any notices of motion and any other items of business submitted as urgent for consideration at the meeting.

3. Declaration of Interests

- 3.1 Members of the Sub-Committee and members of the Pensions Board should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

4. Deputations

- 4.1 If any

5. Minutes

- 5.1 Minute of Pensions Audit Sub-Committee of 28 September 2020 (circulated) - submitted for approval as a correct record 7 - 12

6. Reports

- 6.1 Agenda Planning – Report by the Chief Risk Officer, Lothian Pension Fund (circulated) 13 - 18

6.2	EU Tax Claims and Other Income Tax Recoveries – Report by the Chief Finance Officer, Lothian Pension Fund (circulated)	19 - 28
6.3	Pensions Data Quality – Report by the Chief Finance Officer, Lothian Pension Fund (circulated)	29 - 172
6.4	Investment Income Review Cross Border Withholding Tax – Report by the Chief Finance Officer, Lothian Pension Fund (circulated)	173 - 180
6.5	Lothian Pension Fund - Internal Audit Update 1 April to 30 October – Report by the Chief Internal Auditor, City of Edinburgh Council (circulated)	181 - 192

7. Motions

7.1 If any

8. Resolution to Consider in Private

8.1 The Sub-Committee, is requested under Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the public from the meeting for the following items of business on the grounds that they would involve the disclosure of exempt information as defined in Paragraphs 1.3 and 6 of Part 1 of Schedule 7A of the Act.

9. Private Reports

9.1	Risk Management In-Depth Review – Report by the Chief Risk Officer, Lothian Pension Fund (circulated)	193 - 258
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Andrew Kerr

Chief Executive

Committee Members

Councillors Rose (Convener) and Child; John Anzani.

Please note that members of the Pensions Board and the Independent Professional Observer will also be invited to attend and participate in the meeting.

Information about the Pensions Audit Sub-Committee

The Pensions Audit Sub-Committee consists of 2 Councillors and 1 external member and is appointed by the City of Edinburgh Council in its separate capacity as administering authority of the Lothian Pension Fund. The Pensions Audit Sub-Committee usually meets 3 times a year.

Meeting will be via conference call. Attendance at the meeting will be monitored by Susan Handyside.

The Committee Term of Reference and [Procedural Standing Orders](#).

Pension Board Members

Alan Williamson, Brian Robertson, Darren May, Jim Anderson, Sharon Dalli, Thomas Carr-Pollock and Tom Howorth.

One member representative and one employer representative attend the Pensions Audit Sub-Committee.

Information about the Pension Board

The Pension Board consists of 10 members, 5 members from the employer bodies and 5 members from trade unions representing members within the pension funds as set out in the regulations.

The role of the Pension Board is to help ensure that the operation of the pension funds is in accordance with the applicable law and regulation.

<https://www.lpf.org.uk/us>

Independent Professional Observer

Andy McKinnell

Information about the Independent Professional Observer

The Independent Professional Observer is appointed by the Lothian Pension Fund to help strengthen the Lothian Pension Fund's governance. The role is to provide independent observations to the Pensions Committee and Pension Board.

The purpose of the role is to enhance the scrutiny of the decision making and provide the Committee and Board with additional experience and knowledge impartial from the Lothian Pension Fund's Officers.

City of Edinburgh Council Oversight

The City of Edinburgh Council has statutory responsibility to administer the Lothian and Scottish Homes Pension Funds. In order to most effectively carry out that function (and to reflect the separate statutory responsibilities, and regulation, of the pension funds) the City of Edinburgh Council has delegated management responsibility for the Pension Funds to the Lothian Pension Fund Group and its two arms-length companies LPFE Limited and LPFI Limited. Critical parent oversight continues to be carried out by the Pensions Committee and Dr Stephen S Moir, Executive Director of Resources for The City of Edinburgh Council as the Administering Authority for the Fund to ensure that its statutory functions are being properly carried out.

Lothian Pension Fund Senior Leadership Team

The senior leadership team responsible and accountable for the business and activities of the Lothian Pension Fund Group are:

Doug Heron, Chief Executive Officer

Bruce Miller, Chief Investment Officer

Struan Fairbairn, Chief Risk Officer

John Burns, Chief Finance Officer

Helen Honeyman, Head of People and Communications

Further Information and Contact

If you have any questions about the agenda or meeting arrangements, please contact Susan Handyside, Governance Manager, Lothian Pension Fund, Atria One, 144 Morrison Street, Edinburgh EH3 8EX, Tel 07771378238, email susan.handyside@edinburgh.gov.uk

The agenda, minutes and public reports for this meeting can be viewed via the City of Edinburgh Council committee portal

Pensions Audit Sub-Committee Minutes

2pm, Monday 28 September 2020

Present:

Councillors Rose (Convener) and Child; John Anzani.

Pension Board Members present:

Jim Anderson and Alan Williamson.

Other Attendees:

Andy McKinnell, Independent Professional Observer and Nick Bennett, Azets Audit Services, External Auditor

1. Quorum

The Clerk confirmed that notice of the meeting had been given and that a quorum was present and the Convener declared the meeting open.

2. Order of Business

The Clerk confirmed that there was no change to the order of business.

3. Declaration of Interests

Decision

To note there were no declarations of interest.

4. Minutes

Decision

To approve the minute of the Pensions Audit Sub-Committee of 23 June 2020 as a correct record.

5. Pension Board Oversight

The Pension Board representatives confirmed that they would provide comment on any relevant matters during the meeting.

6. Internal Audit – Verbal Update on June Actions by the Chief Internal Auditor, City of Edinburgh Council

The Chief Internal Auditor provided members with an update on the management actions undertaken by LPF in response to the internal audit findings reported to the Sub-Committee on 23 June 2020.

There had been a significant change in the Council's risk profile due to the Covid-10 pandemic and the Council's Internal Audit Plan would be re-presented to the Governance, Risk and Best Value Committee on 29 September 2020. The LPF internal audit plan would be delivered but this would now be via a co-sourced relationship with PwC. The PwC model had been well established for the Council previously. The PwC team would carry out the fieldwork and engage with workshops at the end of the audit process and the report would be authored by them with oversight from the Council's internal audit team.

Discussions were planned for the following week with the LPF Team to introduce the PwC audit team. Once a quantified cost for the audit fee had been identified this would be reported back to the Sub-Committee.

The Chief Executive Officer, LPF advised the Sub-Committee that a substantial amount of work had been carried out by the LPF team in response to the internal audit findings. LPF recognised the demands on the Council's internal audit function and the shifting priorities for the Council due to the Covid-10 pandemic and welcomed the opportunity to work with PwC to deliver the audit work.

Decision

To note that further discussion and engagement was ongoing between internal audit and the LPF team and that a further written progress update report would be submitted to the next scheduled meeting of the Sub-Committee on 8 December 2020.

7. Agenda Planning

An overview of proposed reports for future Pensions Committee and Pensions Audit Sub-Committee meetings and the annual cycle was presented.

Decision

- 1) To note the agenda planning document.
- 2) To note that pensions board members were invited to comment on agenda items during committee meetings.
- 3) To note that the unaudited and audited accounts would continue to be considered by both the Audit Sub-Committee and the Pensions Committee.
- 4) To agree that if there were any financial or significant textual changes between the unaudited and audited versions of the accounts, these would be highlighted and reported to the Pensions Committee.

- 5) To agree that, going forward, the annual LPF Group governance update would be reported to the Pensions Committee only.
- 6) To agree that the quarterly risk summary report would continue to be reported to the Pensions Committee in December and the in-depth risk management review would continue to be reported to the Audit Sub Committee in December.
- 7) To agree that the Internal Audit Plan would be developed in consultation with the Convener of the Audit Sub-Committee, Chief Executive Officer (LPF) with input from the Independent Professional Observer if appropriate.

(Reference – report by the Chief Risk Officer, LPF, submitted.)

8. LPF Audited Annual Report (and Financial Statements) 2020

Details were provided of the audited Annual Report (and Financial Statements) for the year ended 31 March 2020 for Lothian Pension Fund and Scottish Homes Pension Fund

In the context of sizeable falls in both the global and UK equity markets over the financial year, the Accounts showed that the Lothian Pension Fund (Group) net asset valuation had decreased from £7,817m to £7,497m, a reduction of 4.3%. Given its mature membership profile and gilts investment strategy, the Scottish Homes Pension Fund had remained static at £166m.

Azets Audit Services (formerly Scott Moncrieff) intended to provide an unqualified opinion on the financial statements and other prescribed matters for Lothian Pension Fund and Scottish Homes Pension Fund and intended also to confirm that there were no matters on which it was required to report by exception.

Decision

- 1) To note the report by Azets Audit Services (formerly Scott Moncrieff) “Lothian Pension Funds 2019/20 Annual Audit Report to Members and the Controller of Audit” as set out in Appendix 1 of the report.
- 2) To note the audited Annual Report (and Financial Statements) for the year ended 31 March 2020 for Lothian Pension Fund and Scottish Homes Pension Fund as set out in Appendix 2 of the report.
- 3) To note that the audited financial statements, for the year ended 31 March 2020, of both the wholly owned companies, LPFE Limited and LPFI Limited, were approved by the respective Board of Directors in July 2020. These statements are shown in full at Appendices 3 and 4 of the report.
- 4) To support the external auditor’s thanks to the Chief Finance Officer and his team for providing high quality papers and accounts to assist the audit process.

(Reference – report by the Chief Finance Officer, LPF, submitted.)

9. Irrecoverable Overpayment of Pensions – Decisions Made Under Delegated Authority

Details were given of pension overpayments totalling £2,621.32 which had been deemed irrecoverable during the period 1 September 2019 to 31 August 2020.

Decision

To note that the total value of pension overpayments written off between 1 September 2019 and 31 August 2020 was £2,621.32.

(Reference – report by the Chief Finance Officer, LPF, submitted.)

10. Fraud Prevention

An update was provided on the fraud prevention initiatives undertaken by LPF as an integral part of the control environment and the overall management of risk.

Members discussed the risks around bank validation checks and safeguards in place to protect pensioners whose payments could be delayed as a result of matching not being confirmed.

The Fund normally carried out an overseas pension existence check in partnership with Western Union and its network of agents during July each year. Due to the Covid-19 pandemic, this exercise had been postponed until October 2020.

Decision

To note the updates.

(Reference – report by the Chief Finance Officer, LPF, submitted.)

11. Risk Management Summary

In line with the Lothian Pension Fund's (LPF) ongoing risk management procedures, the quarterly overview was provided of LPF's risk analysis.

Information was also provided on the enhancement of the LPF Group's operating model and the extension of its service delivery to other LGPS funds. In doing so, the Group had taken on additional operational risk in order to achieve fundamental benefits for its stakeholders.

The Chief Risk Officer advised members that a new risk had been added around Group culture and staff engagement and adapting to current level scenarios in line with the FCA emphasis on culture and control.

Members also discussed the inter-dependencies between failure of IT systems, cyber security and business continuity. Members also commented on the changing situation and legislation relating to reporting on climate change as part of investment portfolios and received assurance that the LPF Group were alert to this potential reporting requirement.

More granular risks arising from the pandemic had also been identified and closely managed at an operational level by the Recovery Group established expressly for this purpose.

The overall position remained stable and within appetite in the context of the longer-term risk reduction benefits of the ongoing transformation projects and the circumstances of the global pandemic.

Decision

- 1) To note the quarterly risk overview and the LPF Group's approach to risk management.
- 2) To include information on the legislation around managing climate risk in investment portfolios as part of the training session planned for members in December 2020.

(Reference – report by the Chief Risk Officer, LPF, submitted.)

12. ICT Update

The Sub-Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the following item of business on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 6 and 9 of Schedule 7(A) of the Act.

Members received an update on progress with LPF Group's digital transformation strategy.

Decision

To note the update on the implementation of the LPF Digital Strategy.

(References – Pensions Committee 26 June 2019 (item 12); report by the Chief Executive Officer, LPF, submitted.)

13. Annual LPF Group Governance Update

The Sub-Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the following item of business on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 6 and 9 of Schedule 7(A) of the Act.

Members received an update on the operation of the LPF Group's legal, regulatory and governance structures together with the activities of its corporate subsidiaries LPFE Ltd and LFPI Ltd.

Information was also provided on the actions being implemented following the 2019/20 governance review.

Decision

- 1) To note the annual LPF Group governance update.
- 2) To record the Sub-Committee's thanks to LPF officers for a detailed and helpful document.
- 3) To arrange a development session on governance during the latter half of 2021 for committee members and pension board members.

(Reference - report by the Chief Risk Officer, LPF, submitted.)

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Pensions Audit Sub Committee 2.00pm, Tuesday, 8 December 2020

Agenda Planning

1. Recommendations

The Pensions Audit Sub Committee (Committee) is requested to:

- 1.1 note the agenda planning document;
- 1.2 note that the Pension Board members are invited to comment on agenda items during Committee meetings.

Struan Fairbairn

Chief Risk Officer, Lothian Pension Fund

Contact: Susan Handyside, Governance Manager, Lothian Pension Fund

E-mail: susan.handyside@edinburgh.gov.uk | Tel: 07771 378238

Agenda Planning

2. Executive Summary

- 2.1 This report and the agenda planning document (appendix 1 of this report) provides the Committee with an overview of the proposed agendas for future meetings of the Pensions Committee and Pensions Audit Sub Committee and the annual cycle.
- 2.2 There will, of course, be specific matters and papers which need to be brought to the attention of the committees in addition to those set out herein.

3. Background

- 3.1 In order for the Committee and Pension Board to gain an overview of the content of future meetings, and also an awareness of the annual cycle of items, an agenda planning document is submitted each quarter.
- 3.2 Committee meetings are held on a quarterly basis and the Audit Sub Committee meetings are generally held three times a year.

4. Main Report

- 4.1 As requested LPF has updated the appendix one of the agenda planning paper to reflect the actions requested by Committee in September; the Annual LPF Group Governance Update will be reported to Pension Committee only and a minor amendment to the internal audit consultation text in March.
- 4.2 The Benchmarking report due to be presented to the Pensions Committee has been deferred until March 2021 due to a delay in the data this quarter.

March 2020

Pensions Committee

- Referrals / recommendations from Pensions Audit-Sub Committee
- Audit plans and reports (internal and external) *
- Actuarial Valuation: LPF, SHPF
- Funding Strategy Statement
- Policies and Strategies Update
- Benchmarking
- Employers Participating in Lothian Pension Fund
- Lothian Pension Fund Contract Awards Report

- Operating Plan Update and Budget
- Risk management summary

*Draft audits and plan will be developed in consultation with the Convenor of the Audit Sub Committee, the CEO (LPF) and, if appropriate, the Independent Professional Observer.

June 2021

Pensions Committee	Audit Sub Committee
<ul style="list-style-type: none"> • Referrals / recommendations from Pensions Audit-Sub Committee • LPF Annual Report and Accounts (Unaudited) • Statement of Investment Principles • Joint Investment Strategy Panel Activity • Annual Investment Updates – Lothian Pension Fund and Scottish Homes Fund • Annual LPF Group Governance Update • Risk Management Summary 	<ul style="list-style-type: none"> • LPF Annual Report and Accounts (Unaudited) • LPF Group Controls and Compliance • Risk Management Summary

Future Pensions Committee and Audit Sub Committee dates:

Please note that Pension Committee and Audit Sub Committee meetings will be held virtually until the end of the year and although rooms have been reserved for the Pension Committee and Audit Sub Committee in March, an update on whether the meetings will go ahead at the venue or be conducted remotely will be communicated nearer the time. The Committee meeting dates for 2021/22 will be approved by Full Council at the beginning of 2021.

Pensions Committee	Pensions Audit Sub Committee
<ul style="list-style-type: none"> • Wednesday, 17 March 2021, 2.00pm, Dunedin Room, City Chambers (tbc). • Wednesday, 23 June 2021, 2.00pm, Dunedin Room, City Chambers (tbc). 	<ul style="list-style-type: none"> • Tuesday, 22 June 2021, 2.00pm, Diamond Jubilee Room, City Chambers (tbc).

5. Financial impact

5.1 None.

6. Stakeholder/Regulatory Impact

- 6.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the funds and they are invited to comment on the relevant matters at Committee meetings.
- 6.2 There are no adverse governance, compliance or regulatory implications as a result of this report.

7. Background reading/external references

- 7.1 None.

8. Appendices

Appendix 1 – LPF’s Annual Agenda Planning Cycle

APPENDIX 1

Frequency	Pensions Committee	Audit Sub Committee	Month
Biennial	Operating Plan (biennial from March 2019)	N/A	March
	Administration Strategy (biennial from March 2016)	N/A	March
Annually	Audit Plans (Internal and External)	<i>Draft internal audits and plan will be developed in consultation with the Convenor of the Audit Sub Committee, the CEO (LPF) and, if appropriate, the Independent Professional Observer.</i>	March
	Policies and Strategies Update (including revised Pension LPF Budget)	N/A	March
		N/A	March
	LPF Annual Report and Accounts (Unaudited)	LPF Annual Report & Accounts (Unaudited)	June
	Statement of Investment Principles	N/A	June
	Joint Investment Strategy Panel Activity	N/A	June
	Annual Investment Updates - Lothian Pension Fund and Scottish Homes Pension Fund	N/A	June
	Annual LPF Group Governance Update	N/A	June
		LPF Group Controls and Compliance	June
	Employer Covenant Review	N/A	September
	Audited Annual Report and Accounts of the Lothian Pension Fund and Scottish Homes Pension Fund, including the Annual Report by External Auditor.	Audited Annual Report and Accounts of the Lothian Pension Fund and Scottish Homes Pension Fund, including the Annual Report by External Auditor.	September
	N/A	Irrecoverable overpayment of pensions – decisions made under delegated authority	Septemb
	N/A	Fraud Prevention	Septemb

Frequency	Pensions Committee	Audit Sub Committee	Month
	Annual Report by External Auditor	Annual Report by External Auditor	December (or September if available)
	Benchmarking	N/A	December
	N/A	EU Tax Claims and Other Income Tax Recoveries	December
	N/A	Investment Income Review-Cross-Border Withholding Tax	December
	Stewardship and Engagement	N/A	December
	N/A	Pensions Data Quality	December
	N/A	Global Custody Services Performance	December
	N/A	Risk Management: In-depth review	December
Semi Annually	Employers Participating in Lothian Pension Fund	N/A	March & September
	Lothian Pension Fund Contract Awards Report	N/A	March & September
3 Times per year	Operating Plan Update	N/A	March, September & December
	Referrals / recommendations from Pensions Audit-Sub	N/A	June, September & December
Quarterly	Risk Management Summary	Risk Management Summary (In-depth report in December)	March, June, September and December
Every 3 years	Actuarial Valuation: LPF SHPF	N/A	December or March
	Funding Strategy Statement		
As required	Delegated authorities (provider appointments)	N/A	
	Discretions (death grants etc.)	N/A	
	N/A	Internal Audit Reports	
	Regulatory Update	N/A	
	Investment Strategy Reviews (at least every 3 years)	N/A	



Pensions Audit Sub Committee 2.00pm, Tuesday, 8 December 2020

EU Tax Claims and other Income Tax Recoveries

1. Recommendations

The Pensions Audit Sub Committee is requested to:

- 1.1 note the report and highlight any points it would like to raise at the Pensions Committee on 9 December 2020.

John Burns

Chief Finance Officer, Lothian Pension Fund

Contact: Esmond Hamilton, Financial Controller, Lothian Pension Fund

E-mail: esmond.hamilton@edinburgh.gov.uk | Tel: 0131 469 3521

EU Tax Claims and other Income Tax Recoveries

2. Executive Summary

- 2.1 This report summarises activity on EU and other special tax claims made on behalf of Lothian Pension Fund. During the period covering the last two reports, no additional claims have been paid and the amount recovered to date remains at £1.37m. Progress on outstanding claims is discussed in detail within the report. The main developments are:
- further legal progress with the Manninen and Manufactured Overseas Dividend claims; and
 - WTax has made additional Fokus claims in Germany and Denmark on a no win no fee basis.

3. Background

- 3.1 EU tax claims relate to the recovery of tax deducted from dividend payments prior to receipt. The claims are based on a fundamental principle of EU law, that member states should not discriminate in the application of national taxes between home tax payers and those in other member states in a way that is likely to hinder the free movement of capital. The claims can be divided into three main types – Manninen / Foreign Income Dividends (FIDs), Manufactured Overseas Dividends (MODs) and Fokus.

4. Main Report

Claims – Manninen / Foreign Income Dividends (FIDS)

- 4.1 These claims are against the UK tax authorities. The FIDs claims are based on the UK providing for the repayment of tax credits on UK dividends but not on Foreign Income Dividends (FIDs) paid by UK companies. Manninen claims concern whether the UK breached EU law in denying claims for tax credits on overseas dividend receipts.
- 4.2 The European Court of Justice's ruling in the Manninen tax case in September 2004 opened an avenue for claims for tax credits on EU dividends. Pensions Committee has previously agreed to pursue potential claims.
- 4.3 Based on the decision in the Manninen case, KPMG's EU Tax Group is undertaking statutory claims on behalf of UK pension funds to claim a repayment of tax credits on FIDs and overseas dividend income in respect of periods 1990/91 to 1997/98. Pension funds have also pursued parallel claims in the High Court.
- 4.4 The claims are for tax credits and are based on the rate of advance corporation tax in place in respect of the overseas dividends. While the UK tax authorities are disputing the validity of such claims, the estimates show that Lothian Pension Fund could benefit by up to £2.6m from a successful Manninen claim. A cost benefit analysis concluded that a claim should be lodged, and this was done on 9 February 2006.

- 4.5 HMRC has rejected all claims of this nature. As a result, KPMG has appointed a firm of solicitors (Pinsent Masons) to pursue recovery by way of a test case brought with the BT Pension Scheme as the test claimant.
- 4.6 A chronology of events since the last report is provided in Appendix 1. The contents of which have been approved by Pinsent Mason.
- 4.7 Since the last report to Committee in December 2019, work has continued towards litigation against HMRC in the High Court.
- 4.8 Fees incurred to date, by Lothian Pension Fund, on these claims amount to £67.5k (£67.5k as at the last update to Committee in December 2019). If the case is pursued to a conclusion, total costs for the Fund are capped at £90k. This compares with the claim for £2.6m.

Claims – Manufactured Overseas Dividends (MODs)

- 4.9 This claim is against the UK tax authorities. It is based on the fact that manufactured dividend receipts relating to UK shares were not subject to any UK withholding tax but receipts relating to manufactured overseas dividends suffered a UK withholding tax.
- 4.10 Note that manufactured dividends are dividends created when a security is out on loan at the time the company pays a dividend.
- 4.11 Claims in respect of manufactured dividends totalling £4,870.6k have been lodged with HMRC on behalf of Lothian Pension Fund.
- 4.12 KPMG has appointed a firm of solicitors (Pinsent Masons) to pursue recovery.
- 4.13 A chronology of events since the last report is provided in Appendix 2. The contents of which have been approved by Pinsent Mason.
- 4.14 Since the last report to Committee in December 2019, HMRC has successfully appealed a decision by the Court of Appeal to refuse it leave to appeal to the Supreme Court against the decision in favour of the test claimant. We await news of the date when the case will be heard at the Supreme Court.
- 4.15 Fees incurred to date on these claims amount to £196.7k (£187.7k as at the meeting of December 2019).

Claims – Fokus Bank

- 4.16 These claims are against the tax authorities of the EU member states (and Norway) in which the Fund has invested. The basis of the claims is that the tax authorities have applied favourable tax treatment to domestic pension funds that they have denied to pension funds in other member states.
- 4.17 The Pensions Committee of October 2007 approved making claims under the principle established in the Fokus Bank case. Claims currently estimated at around £6.3m (£5.5m as at the meeting of December 2019) have been made. Progress on the claims is summarised in Appendix 3.

- 4.18 Since the last report in December 2019, WTax have made additional claims of €993.1k in Germany and DKK401.5k in Denmark. However, the claims in Sweden (€265.5k) have been withdrawn as there is no legal basis to support them. WTax is a company that aims to recover tax on dividends in cases where the custodian is not able/willing to do it. The company operates on a no win no fee basis, so Lothian Pension Fund has not incurred any costs in making these additional claims.
- 4.19 The remaining claims made by KPMG in Italy (€75.4k) are all now time expired. Since the initial success with claims in four EU countries there has been little apparent progress to the remaining substantial claims in France and Germany.
- 4.20 Fees incurred to date on these claims amount to £390.5k (£390.5k as at the meeting of December 2019). Costs are higher for the Fokus Bank type claims because of the need to file claims separately in individual EU countries.

5. Financial impact

- 5.1 Tax claims totalling of £13.9m (£13.0m as at the meeting of December 2019) have now been lodged with the relevant tax authorities. Professional fees amounting to £654.7k (£645.7k as at the meeting of December 2019) have been paid to date. As previously agreed by Pensions Committee, it is likely that further legal costs will be incurred in pursuing the claims. However, any legal costs are shared across a pool of fellow claimants and Lothian Pension Fund has the right to cease participation without incurring further costs.
- 5.2 Currently, claims paid to date exceed the costs incurred by £715.4k (£724.4k as at the meeting of December 2019). So irrespective of the outcome of the remaining claims, Lothian Pension Fund will accrue a financial benefit. The financial position can be summarised as follows:

Claim Type	Total Claims £'000	Claims Settled £'000	Claims Outstanding £'000	Costs to Date £'000
Manninen	2,626.7	Nil	2,626.7	67.5
Manufactured Dividends	4,870.6	Nil	4,870.6	196.7
Fokus Bank	6,354.4	1,370.1	4,984.3	390.5
	13,851.7	1,370.1	12,481.6	654.7

- 5.3 Because of the uncertainty associated with the tax claims, amounts are only recognised in Lothian Pension Fund's accounts when funds are received.

6. Stakeholder/Regulatory Impact

- 6.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the fund and they are invited to comment on the relevant matters at Committee meetings.
- 6.2 There are no adverse health and safety, governance, compliance or regulatory implications as a result of this report. The forward planning of the Committees' agendas should facilitate improved risk management and governance for the pension funds.
- 6.3 There are no adverse sustainability impacts arising from this report.

7. Background reading/external references

- 7.1 None.

8. Appendices

- 8.1 Appendix 1 Chronology - Manninen / Foreign Income Dividends (FIDs)
- Appendix 2 Chronology - Manufactured Overseas Dividends (MODs)
- Appendix 3 Fokus Bank – Claims Summary

Events Since Last Report to Committee - Manninen / Foreign Income Dividends (FIDs)

Date	Event
October 2019	HMRC provided further information in respect of their proposal to stay the High Court proceedings behind the case “Test Claimants in the Franked Investment Income Group Litigation v HMRC (FII)”. Pinsent Masons considered the implications of this on the High Court proceedings with Counsel and the test claimant.
December 2019	Pinsent Masons agreed to HMRC’s request to stay the proceedings due to the potential relevance of the <i>FII</i> case on the FIDs and Manninen High Court proceedings.
February 2020 to October 2020	<p>Pinsent Masons received the sealed orders approving the stay from the Court on 27 February 2020. These were served on HMRC.</p> <p>The <i>FII</i> hearing concluded on 20 February 2020. Pinsent Masons await the decision and will assess its impact on the FIDs and Manninen claims.</p> <p>The High Court proceedings are currently stayed pending the outcome in the <i>FII</i> case. We anticipate that the FIDs/ Manninen case will likely go live towards the end of this year or early next year following the release of the Supreme Court decision in <i>FII</i>.</p>

Appendix 2

Events Since Last Report to Committee - Manufactured Overseas Dividends (MODs)

Date	Event
October 2019	<p>The Court of Appeal handed down its judgment on 3 October 2019 and the test claimant was successful again before the Court of Appeal.</p> <p>Further, the Court of Appeal refused HMRC permission to appeal to the Supreme Court.</p> <p>On 31 October 2019 HMRC filed and served an application for permission to appeal directly to the Supreme Court.</p>
November 2019	<p>On 14 November 2019 Pinsent Masons submitted a notice of objection to HMRC's application, setting out the reasons it should be refused.</p>
May 2020	<p>On 20 May 2020 the Supreme Court granted HMRC's permission to appeal application.</p>
June 2020	<p>On 1 June 2020 HMRC filed and served a notice of intention to proceed with their appeal to the Supreme Court.</p>
July 2020	<p>On 13 July 2020 Pinsent Masons filed an acknowledgement of HMRC's appeal to the Supreme court.</p>
July 2020 to October 2020	<p>In accordance with the Supreme Court timetable, during this period, the parties have been in discussions to agree a statement of the relevant facts and issues in respect of the test case and an appendix of documents. This was agreed and filed by HMRC with the Supreme Court on 12 October 2020.</p>

Appendix 3

Fokus Bank – Claims Summary

Country	Claim Period From / To	Estimated Amount Claimed	Amount Received	Notes
Completed Claims				
Austria	2006 2010	£83.0k	£83.0k	Claim paid in September 2012.
Netherlands	2003 2006	£440.0k	£440.0k	Claim paid in 2009.
Norway	2004 2010	£278.9k	£278.9k	All claims paid - final instalment received in February 2013 (£73k)
Spain	2004 2009	£568.2k	£568.2k	All claims paid - final instalment received in March 2015 (£102k)
Active Claims				
France	2005 2009	£706.8 [€776.7k]	-	<p>15% tax imposed on all pension funds from 1 January 2009 – so no further claims can be made after that date. In May 2012, the EU Court ruled in the Santander test case that refunds must be paid to investment funds.</p> <p>In February 2016 KPMG submitted a comparability analysis demonstrating that Lothian Pension Fund is in a similar situation to the test claimant. For efficiency purposes our claim is being included in a batch with similar claimants. This has delayed the filing of the documentation with the French Tax Authorities (FTA).</p> <p>There have been no developments in the last two years. KPMG is not proposing any action and is waiting in the hope of some movement from the FTA.</p>

Country	Claim Period From / To	Estimated Amount Claimed	Amount Received	Notes
Germany	KPMG 2003 2010	£979.2k [€1,076.0k]	-	In August 2015, following a competitive tender, Deloitte LLP was appointed to make additional claims in respect of the calendar years 2011 to 2014 inclusive.
	Deloitte 2011 2014	£123.3k [€135.5k]		After appropriate due diligence, WTax was appointed in 2018, on a no win no fee basis, to recover any withholding tax not normally recovered by the custodian. WTax has decided to make additional claims in Germany.
	WTax 2016 2019	£3,031.7k [€3,331.5k]		Since the last report to Committee WTax has made a further claim in respect of the 2019 calendar year of €1,011.5k.
				The latest professional advice on the German claims is from Deloitte LLP:
				“On 13th November 2019, the Court of Justice of the European Union (“CJEU”) issued their ruling in <i>College Pension Plan of British Columbia v Finanzamt München III case (C-641/17)</i> . The claimant was a Canadian pension fund. The CJEU judgement stated that the application of the German withholding tax (“WHT”) regime constituted an unjustified restriction to the free movement of capital. The case has been remitted back to the Munich Fiscal Court to apply the CJEU ruling to the facts of the case.
				Separately, court decisions are pending for various investment funds test cases (which includes UK funds) in Germany.
				We expect, collectively, all the cases above should help improve guidance and comparability considerations for EU WHT reclaims in Germany (UK pension funds).”

Country	Claim Period From / To	Estimated Amount Claimed	Amount Received	Notes
Italy			-	<p>Under Italian law, claims must be renewed after a period of 10 years. In 2017, Officers considered the cost of refreshing the claim and the potential for the claims being paid and decided not to pursue this option. As a result, all the claims have now lapsed.</p> <p>An indication of the very low chance of the claims ever succeeding, WTax, which operates on a no win no fee basis, has decided not to pursue claims in Italy.</p>
Denmark	2016 2019	£143.3k [DKK1,194.4k]		<p>After appropriate due diligence, WTax was appointed in 2018, on a no win no fee basis, to recover any withholding tax not normally recovered by the custodian. WTax has decided to make some claims in Denmark. An additional claim for 2019 has been made amounting to DKK401.5k.</p> <p>Previous providers did not consider it economic to make claims in this country.</p>
Sweden				<p>After appropriate due diligence, WTax was appointed in 2018, on a no win no fee basis, to recover any withholding tax not normally recovered by the custodian.</p> <p>Since the last report to Committee, WTax have advised that the claims have been withdrawn due to a lack legal basis.</p>
TOTAL		£6,354.4k	£1,370.1k	



Pensions Audit Sub Committee **2.00pm, Tuesday, 8 December 2020**

Pensions Data Quality

1. Recommendations

The Pensions Audit Sub Committee is requested to:

- 1.1 note the report and highlight any points it would like to raise at the Pensions Committee on 9 December 2020.

John Burns

Chief Finance Officer, Lothian Pension Fund

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Pensions Data Quality

2. Executive Summary

- 2.1 The purpose of this report is to inform the Pensions Audit Sub-Committee of the ongoing work to enhance the quality of the pension administration membership record data.
- 2.2 In accordance with its Pension Administration Strategy, the Fund continues in its efforts to improve the flow of data from employers through regular reporting and liaison.
- 2.3 This year the Fund has focused on cleansing member records for the submission of data for the triennial valuation, annual benefit statement production and The Pensions Regulator scheme return.

3. Background

- 3.1 In previous years, Pensions Audit Sub-Committee noted the continuing work to ensure the good quality of pension administration membership record data.
- 3.2 The information demands of accurate record- keeping increased with the introduction of a scheme based on career average revalued earnings (CARE) in 2015. The Pensions Regulator expects that an administering authority should:
 - 3.2.1 set out responsibilities to scheme employers clearly;
 - 3.2.2 escalate any non-compliance to senior management (of the employers);
 - 3.2.3 utilise the ability to impose (recovery of cost) charges; and
 - 3.2.4 report individual scheme employers where their failure has caused a statutory breach.
- 3.3 The Fund once again procured the data quality service provided by the software supplier for Lothian Pension Fund and Scottish Homes Pension Fund. The report provides the score measurement required by TPR based on a comprehensive analysis and on the percentage of clean member records without a single data failure.
- 3.4 The Fund sets out standards for provision of data from employers in an agreed Pensions Administration Strategy (**PAS**). It includes scope for the Fund to levy charges to cover any resultant costs if an employer's performance continues to fall below acceptable tolerances. This provision ensures that the administrative costs of the Fund are borne equitably by all the employers. Criteria for passing on costs of poor performance by employers consist of any of the following:

- 3.4.1 contributions received later than the regulatory standard;
 - 3.4.2 not regularly addressing membership data queries;
 - 3.4.3 consistently failing to meet service standard for new starts, leavers, retirements and deaths, and no clear commitment to improve; and
 - 3.4.4 not submitting monthly contributions for each member via the secure portal.
- 3.5 Lothian Pension Fund utilises 2 employer portals. The first portal (“i-Connect”) for the secure submission of monthly member updates and the second (“GoAnywhere”) for secure document sharing. The Fund is working with the supplier to integrate a document sharing facility with in the first portal.

4. Main Report

Pension Administration Strategy (PAS) performance 2020/21 to date

- 4.1 Fund-wide performance against PAS standards is reported each year in the Annual Report. Annual reports are issued to each employer outlining their own performance and comparing this to other employers of a similar size. Quarterly reports are also issued to the four Councils and also on an exception basis to any employer whose performance merits specific intervention.
- 4.2 Overall employer performance for the first half of 2020/21 is shown below, with the full year of 2019/20 shown for comparison purposes

Employer performance		Quarter 2 2020/21			2019/20		
Case type	Target (working days)	Number received	Number within target	% within target	Number received	Number within target	% within target
New Starters	20	1548	1153	74%			*
Leavers	20	1638	645	39%	3629	1455	40%
Retirements	20	504	194	38%	1372	512	37%
Deaths In Service	10	6	3	50%	16	10	62%

* due to rolling out of new employer portal during 2019/20 “New Starter” statistics were not measured

- 4.3 There is a continuation of poor employer performance in the first half of this financial year. The decline in Leavers within target may be due to change in working practices as a result of Covid-19. The City of Edinburgh Council has recognised the need for improvement and is actively engaged with the Fund. An agreement has

been made for the Fund to provide and discuss monthly statistics at the regular meeting.

- 4.4 As previously advised to Pensions Committee, the PAS was reviewed to add an additional instance where employers may be charged for poor performance. Specifically, where an employer fails to achieve a performance level of 75% in target for the provision of early leaver and retirement information, an additional charge will be levied on an annual basis at the Fund's discretion. As required under the Scheme Regulations, a consultation exercise was carried during July 2020. Few responses were received, but these were broadly supportive of the need to improve provision of membership data. One employer did highlight difficulties in supplying data within target for members who are hourly paid and submit claims for payment in arrears. A suggestion that data could be segmented between salaried and other staff when reviewing performance and assessing whether there is any requirement to levy charges.
- 4.5 Fund officers have continued to meet with employers, particularly new contacts, to ensure that the requirements set out in the PAS are understood. Training sessions with payroll and HR staff have also been held remotely. Although information on performance is discussed with regular contacts, it is recognised that in some cases, where poor performance continues to be poor, escalation processes set out in Section 8.2 of the PAS will be followed. As in previous years, senior officers from the Fund will be holding annual meetings with large employers and these meetings will include discussion of the performance to highlight the key areas where improvement is required.

Monthly Contribution (Data) Return - Submissions

- 4.6 During 2019/20 an average of 91% of monthly submissions were provided through the employer portal by the PAS target of 19th of following month. This has remained at 91% for the first half of 2020/21.
- 4.7 West Lothian Council who provide submissions for 3 other employers as well as their own migrated to a new payroll system. The Fund worked with West Lothian Council providing feedback on test payroll extracts to ensure the accuracy of the files for submission. As a consequence, no data submissions were uploaded for the current year until September when the new extract was approved. All outstanding files were uploaded by 20th October.
- 4.8 The City of Edinburgh Council has engaged a Managed Pension Service to extract and control their monthly submissions. The Fund has also been involved in the project providing feedback on test files. There has been no change of payroll provider so monthly submissions continue to be provided by the PAS target. Collaboration between The City of Edinburgh Council and the Fund has continued to be significant in order for the monthly returns to meet submission dates as well as being of good

quality. It is expected that the Managed Pension Service will reduce the need for such intensive labour by both parties.

Annual Benefit Statement 2020 – data returns from employers

- 4.9 The PAS stipulates that failure by an employer to provide the Fund with a year-end return by 19th April each year shall incur a £200 initial fee plus 5p per active member per working day from 20th April to date return is received. By the deadline 94% of employers had submitted year-end financial data, the remainder were in contact with the Fund and the last submission was made by the end of April. None of the employers were required to provide revised submissions with only 0.04% of active membership being queried.
- 4.10 Although this year the target of 100% was not met the Fund will not levy a cost recovery charge on any employer for late submission of the year-end return. The Fund was satisfied that despite the exceptional circumstances this was concluded by the end of April.
- 4.11 During the pre-production data cleanse for annual benefit statement production a further 635 queries, 1.85% of active membership, were sent to the employers.
- 4.12 53,550 annual benefit statements (100% of member records) were produced and issued by the statutory deadline of 31 August 2020.

Triennial Actuarial Valuation as at 31 March 2020

- 4.13 The Fund utilised the Actuary's data portal to validate and cleanse the data prior to final submission on 10 July 2020, 6 weeks earlier than the 2017 valuation. Additional commentary was only required to be sent for 645 issues, compared to over 8000 in 2017. The Actuaries requested clarification for a further 24 issues before final acceptance on 23 July 2020.
- 4.14 The Actuaries acknowledged that the Fund "spent a lot of time cleansing data prior to formal submission" and that "the data was of excellent quality".

Other data quality initiatives, including mortality screening and tracing

- 4.15 To prevent fraud and overpayments of pensions, the Fund takes part in the National Fraud Initiative and the 2020/21 biennial exercise commenced in October. The Fund utilises the "Tell Us Once" central and local government death notification service and procured services to trace "lost" members and to provide mortality validation.
- 4.16 The Fund carries out regular mortality and tracing on deferred and pensioner members using several external sources. Recent improvements in the products available has now enabled the Fund to carry out individual tracing for members using a secure tracing platform. Since the contract commenced in April, 195 suspended pensions have been resolved. 88 of those 195 have been reinstated with members now receiving pensions that would otherwise have remained unpaid. To date, the

total monthly liability resolved through the tracing platform is approximately £25,000. The Fund has also recently conducted a bulk tracing and mortality exercise. To date, the mortality exercise has formally identified the dates of death for 63 deceased members that the Fund had not previously been able to confirm. The tracing exercise has initially identified 300 new addresses for “Gone Away” members and confirmed a further 400 as living at the address held on our records. We have recently written out these members and results are awaited.

- 4.17 The Fund annually participates in “Club Vita” a specialist company providing longevity monitoring and experience analyses, for various data quality assurance checks. Data extract for 2020 analysis was submitted in September and results are awaited. The latest available annual report from November 2019 showed that our data quality continued to compare favourably with other funds. Confidentiality constraints do not permit more detailed disclosure. The Fund utilised the previous reports to undertake data cleansing for 2020 extract.

Management information and data quality monitoring

- 4.18 The Pensions Regulator (TPR) requires measurement of the presence of member data items important to the administration of a pension scheme. This has been split into two sets, “common data” which is applicable to all schemes and “conditional data” which is dependent on the specific scheme type and design.
- 4.19 The Fund extended the contract for a TPR data analysis service from the pension administration software supplier for one year to cover our 2020 annual scheme return.
- 4.20 The member data extract was run on 1 September 2020, with effective date as at 31 March 2020. This means that the data cleansing of member records undertaken by the Fund prior to both the Actuarial Valuation 2020 data submission to the actuary and the issuing of Annual Benefit Statements is reflected in the assessment. This timeframe also aligns to the submission of the annual scheme return to TPR by 30 November.

	2019	2020	2019	2020
	Scottish Homes Pension Fund	Scottish Homes Pension Fund	Lothian Pension Fund	Lothian Pension Fund
TPR Data Measure	% of records that did not fail any core test	% of records that did not fail any core test	% of records that did not fail any core test	% of records that did not fail any core test
Common	96.5%	96.7%	98.3%	98.3%

Scheme specific	96.7%	99.3%	95.4%	96.9%
Number of Records Tested	2,477	2,529	146,592	152,394

- 4.21 The supplier has noted that that general quality of Common data tested is of a high standard.
- 4.22 These data quality reports are provided in full at Appendices 1-4.
- 4.23 Rectification work to address the data issues identified by the reports is being progressed. Appendix 5 provides the Funds Data Quality Improvement Plan as required by The Pensions Regulator.

5. Financial impact

- 5.1 There are no direct financial implications arising from this report.
- 5.2 Data quality is fundamental to the effective and efficient administration by the Fund. Costs are met by the Fund’s administration budgets (staff and third-party payments).

6. Stakeholder/Regulatory Impact

- 6.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the fund and they are invited to comment on the relevant matters at Committee meetings.
- 6.2 There are no adverse health and safety, governance, compliance or regulatory implications as a result of this report. The forward planning of the Committees’ agendas should facilitate improved risk management and governance for the pension funds.
- 6.3 There are no adverse sustainability impacts arising from this report.

7. Background reading/external references

- 7.1 None.

8. Appendices

Appendix 1 – Scottish Homes Pension Fund – Data Quality Report 2020 – LGPS Scheme Specific

Appendix 2 – Scottish Homes Pension Fund – Data Quality Report 2020 – Common Data

Appendix 3 – Lothian Pension Fund – Data Quality Report 2020 – LGPS Scheme Specific

Appendix 4 – Lothian Pension Fund – Data Quality Report 2020 – Common Data

Appendix 5 – Data Quality Improvement Plan 2020



Aquila Heywood

Local Government Pension Scheme Scheme-specific Data Quality Report Scottish Homes



September 2020

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1 Executive Summary

1.1 Introduction

In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they consider to be good practice for measuring the presence of member data. Specific targets were set for data TPR deemed as 'common' and Aquila Heywood has assisted customers in the collection and qualification of this data. TPR also outlined 'scheme-specific' data but did not set prescriptive targets as the data is deemed to be scheme-specific. The guidance did target Pension Scheme Trustees to ensure that 'reasonable endeavours' were undertaken to provide evidence of assessment and measurement, together with an action plan to meet the scheme specific targets.

To assist customers in undertaking a practical assessment of their scheme-specific data, Aquila Heywood offers a Data Quality service.

1.2 Data Quality Service

Working with Edinburgh City Council (ECC), Aquila Heywood has completed a review of Scottish Homes' (SH) scheme-specific pension data in line with the guidance notes set down by TPR detailed in appendix A. Aquila Heywood's understanding of the Local Government Pension Scheme data, benefit calculations, interfaces and processes, has assisted in the agreement of which items to test. The tests to satisfy each condition have been run and the results quantified to provide guidance on any corrective action required.

The following terms should be understood to aid understanding of the conditions used and the results obtained:

- **Data condition** – identified TPR condition, for example check that an active member does not have a date of leaving
- **Data category** – grouping of relevant data conditions, for example **Member Benefits** (see section 1.4 below)
- **Data item** – item of data which forms part of a data condition for example 'date of leaving'

The service incorporates in the order of 100 individual tests against the data conditions agreed with ECC. To provide focus on the key areas of scheme-specific data to be addressed, each data category is measured against an agreed benchmark.

In 2019, a set of “core” tests were identified for reporting to TPR. The results to be quoted to TPR are quoted separately from the overall test scores. For details of where the TPR tests differ from the overall tests, please refer to appendix C.

1.3 Benchmark

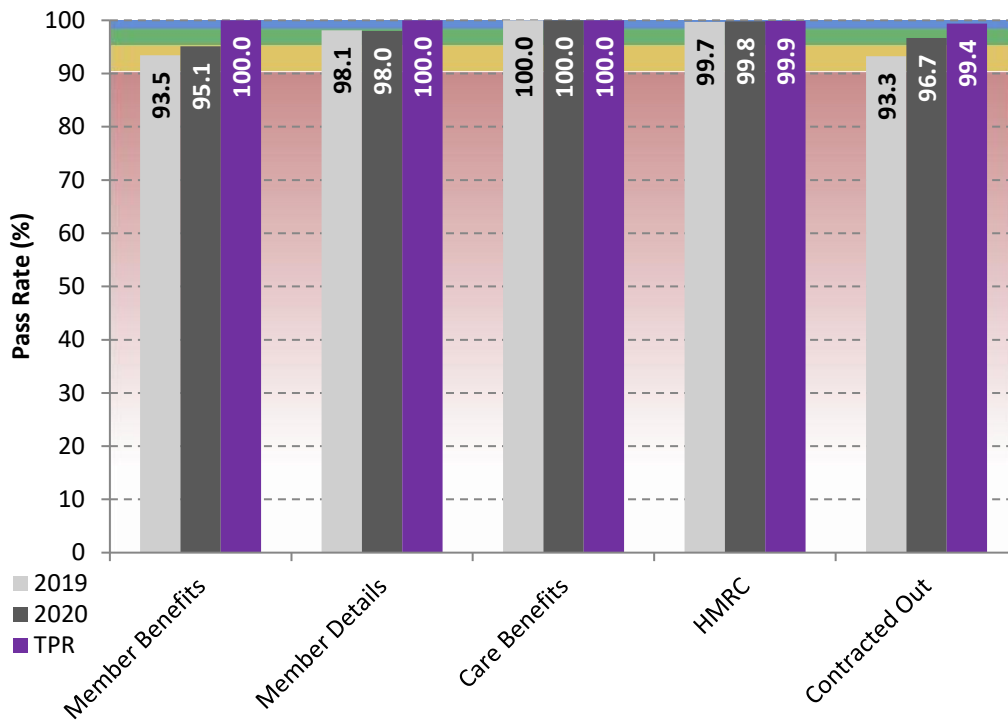
The benchmarks applied to the results presented in this report were agreed between ECC and Aquila Heywood. The categories and thresholds are as follows:

Category	Pass Threshold
Blue	Pass rate \geq 98%
Green	95% \leq Pass rate $<$ 98%
Amber	90% \leq Pass rate $<$ 95%
Red	Pass rate $<$ 90%

These benchmark ranges are illustrated in the background of subsequent results graphs.

1.4 Summary of Scheme-specific Data Results

The graph below indicates SH’s performance for each data category against the agreed scheme benchmarks together with the results from the 2019 tests. Also, below is an explanation as to the data conditions relevant to each data category. The results presented herein are generated from data extracted from ECC’s Live Altair service on 1st September 2020 for all tests. The 2019 tests were generated from data extracted on 13th August 2019. The overall percentage of tests passed for SH’s scheme-specific data is **97.3%** an improvement of 1.1% over the 2019 score of **96.2%** The percentage of member records without a single scheme-specific data failure is **84.4%**. This represents an improvement compared to the 2019 score of 79.3%.



The total number of member records tested is 2,529, an increase of 52 from the number tested in 2019.

1.4.1 Member Benefits Data

This category includes those data conditions for members that directly relate to the details of benefits in payment or to the calculation of benefits yet to be paid.

A total number of 1,862 members qualified for one or more checks as part of the in-scope conditions under this category, a reduction of 44 on 2019. ECC set a minimum 90% benchmark target and achieved a **95.1%** pass rate, placing it in the green benchmark. This pass rate is a **1.7%** improvement on 2019. The detailed analysis of each condition is in Section 2.1, but 9 of the 10 Data Conditions specified attained the highest benchmark category (Blue, >98%). The lowest scoring condition was **Transfer In Details 1**, where **31.6%** of members tested passed. This represents a **22.4%** improvement on 2019. Although many of the cases that failed this condition do not directly affect benefits being paid to members, these cases should be investigated to ensure service credits are correctly recorded.

1.4.2 Other Member Data

This category includes those data items that may be used in the calculation of member benefits.

A total number of 1,251 members qualified for one or more checks as part of the in-scope conditions under this category, a reduction of 33 on 2019. ECC set a minimum 90% benchmark target and achieved a **98.0%** pass rate, attaining the highest blue benchmark. This pass rate is a **0.1%** decrease on 2019. The detailed analysis of each condition is in Section 2.2 with 5 of the 7 Data Conditions specified attained the highest benchmark category (Blue, >98%). The lowest score was on the **Service** condition with a pass rate of **91.0%**. This represents a **0.6%** improvement on 2019. The other condition that failed to meet the highest benchmark was **Contributions** with a score of **95.1%**, which represents a 1.4% decrease on 2019.

1.4.3 CARE Benefits

This category includes those data items required to calculate Career Average Revalued Earning (CARE) benefits.

A total number of 3 members qualified for the checks as part of the in-scope conditions under this category. In 2019, no members qualified. ECC set a 90% minimum benchmark target and achieved a **100%** pass rate, placing CARE benefits in the highest blue benchmark. Failures in this category would require investigation as CARE data directly affects member benefits.

1.4.4 HMRC

This category includes those values recorded as a result of the Finance Act 2004 as well as Pre A-Day limits.

A total number of 789 members qualified for one or more checks as part of the in-scope conditions under this category, an increase of 5 on 2019. The conditions within this category have been expanded for clarity and are detailed in Appendix B.

ECC set a 90% minimum benchmark target and achieved a **99.8%** pass rate placing the category in the highest blue benchmark. This pass rate is a **0.1%** increase on 2019. The detailed analysis of each condition is in Section 2.4. The highest benchmark was achieved in 6 of the 7 categories. The **BCE 7 (Death Benefits)** condition attaining a pass rate of **80.0%** placing the condition in the red benchmark, although it should be noted that only 1 member out of 5 that qualified for the tests failed. This is the same score achieved in 2019.

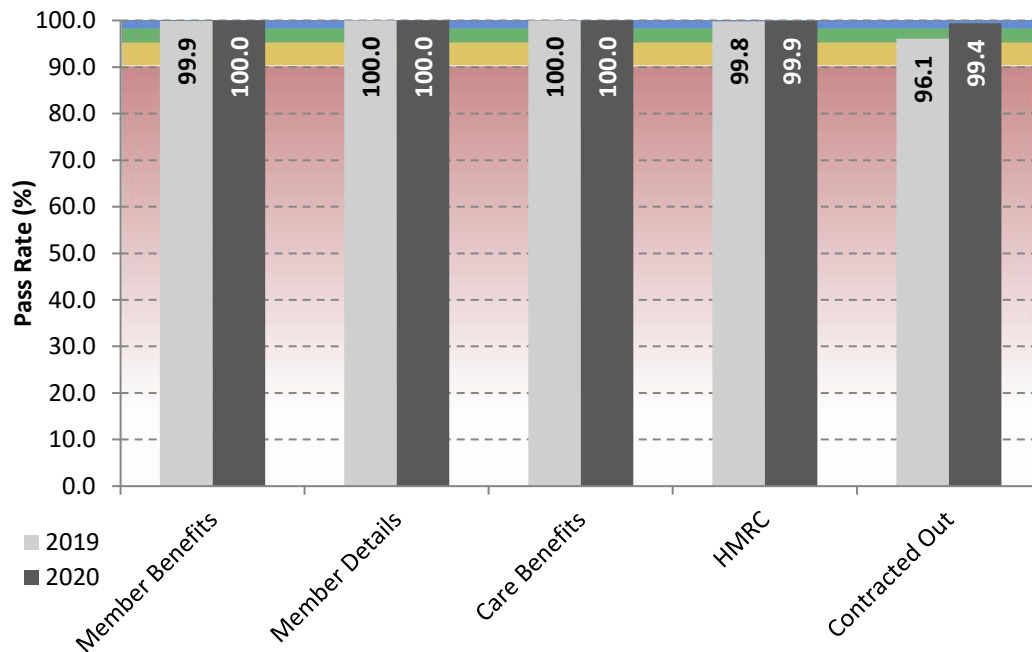
1.4.5 Contracting Out

This category includes those data items required to meet scheme contracting out conditions.

A total number of 1,029 members qualified for one or more checks as part of the in-scope conditions under this category, a decrease of 256 on 2019. ECC set a 90% minimum benchmark target and achieved a **96.7%** pass rate, placing Contracting Out in the green benchmark. This pass rate is a **3.4%** increase on 2019. The detailed analysis of each condition is in Section 2.5. The highest benchmark was achieved in 3 of the 4 categories. The only condition not to achieve the highest benchmark was **NI Contributions / Earnings History** condition, where **89.6%** of members tested passed. This represents a **4.5%** improvement on 2019.

1.5 TPR Scheme-specific Data Core Test Results

The percentage of member records that did not fail any of the tests deemed to be in the core list of TPR tests is **99.3%**. This represents an improvement of 2.6% on the 2019 score of **96.7%**. This is the figure to be quoted on the scheme return to TPR. The results for each qualifying category are shown below:



1.6 Other Information

The remainder of this report is split into the following sections:

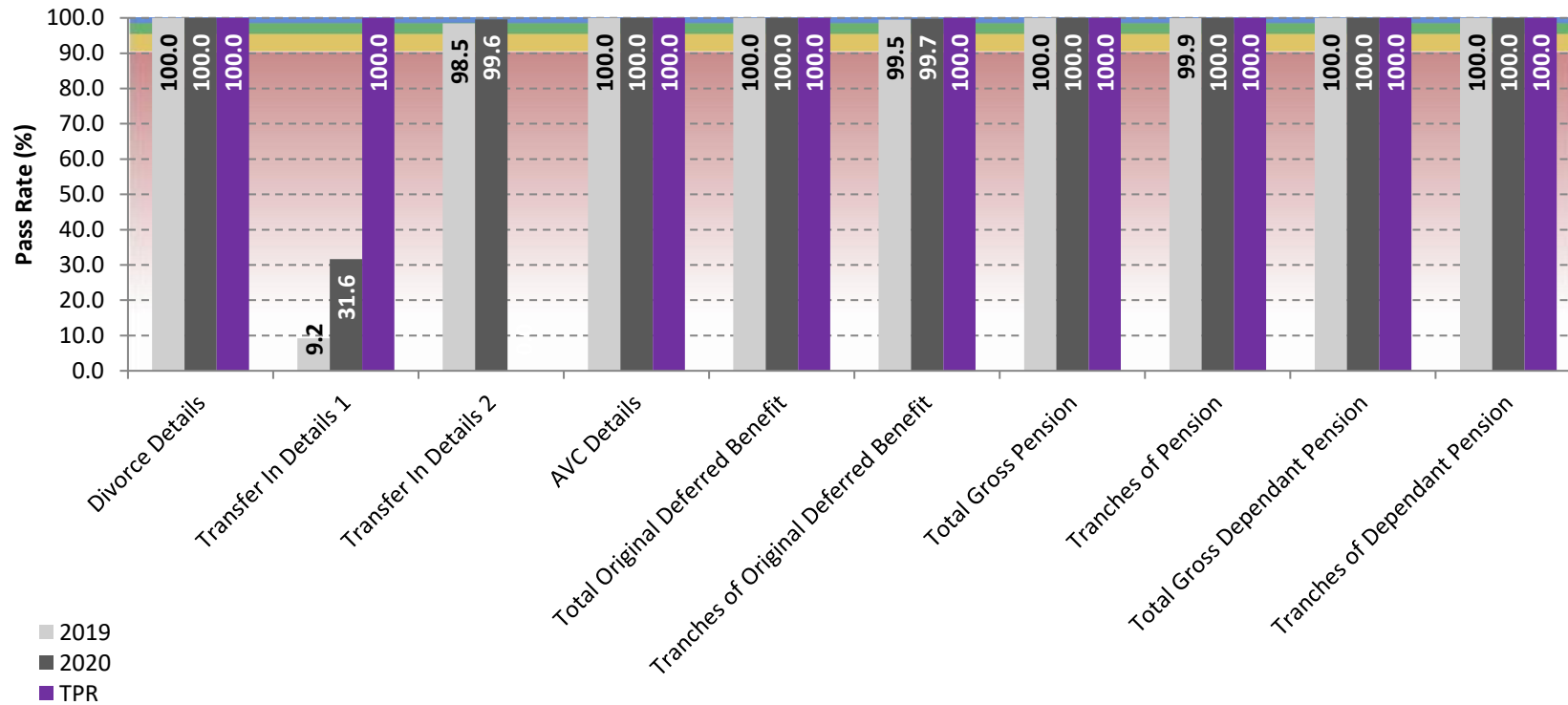
- **Scheme-specific Data Results** – results of each in-scope condition per category along with the number of members tested, main failures and suggested risks and actions
- **Appendices** – details to qualify failures against each condition, along with a list of TPR’s guidance relating to the Local Government Pension Scheme

Where possible, Aquila Heywood has provided advice and suggested next actions to work with ECC in implementing a solution to any data anomalies. This document is the start point for ECC data management policy and Aquila Heywood will agree with ECC the appropriate frequency to repeat these conditions and demonstrate progress in scheme-specific data cleansing.

2 Scheme-specific Data Results

2.1 Member Benefits Data Category

2.1.1 Results



2.1.2 Analysis of Results

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Divorce Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where Calculation Date (DVC-CALDTE) has a value	2 (0)	2 (0)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0 Fail E: 0 Fail F: 0	Both members tested passed all tests in this condition for the second consecutive year.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Transfer In Details 1 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	256 (-4)	81 (+57)	31.6% (+22.41%)	100% (+1.92%)	Fail A: 2 Fail B: 0 Fail C: 81 Fail D: 81 Fail E: 113 Fail F: 9	<p>The number of members failing a test has reduced by 61 to 175 resulting in a 22.41% increase in the pass rate since 2019.</p> <p>2 transfers are missing the date of transfer. Both of these members are pensioners and do not count towards the TPR core tests.</p> <p>There are 81 failures where there is no service credit or pension credit recorded from the transfer that will require investigation. The majority have no transfer type and were manually input. Providing service was recorded correctly on the service history, member benefits will be correct.</p> <p>A common fail with 81 instances are where there is a service credit, but no corresponding service dates on the service history that should be investigated.</p> <p>113 instances concerned invalid transfer types that do not match those calculations write-back. All these records have a blank entry with the latest transfer recorded in 1991. This fault may lead to incorrect reporting but will not affect benefits for these members.</p> <p>Additionally, there were 9 cases where the transfer date was prior to the date of commencement.</p>

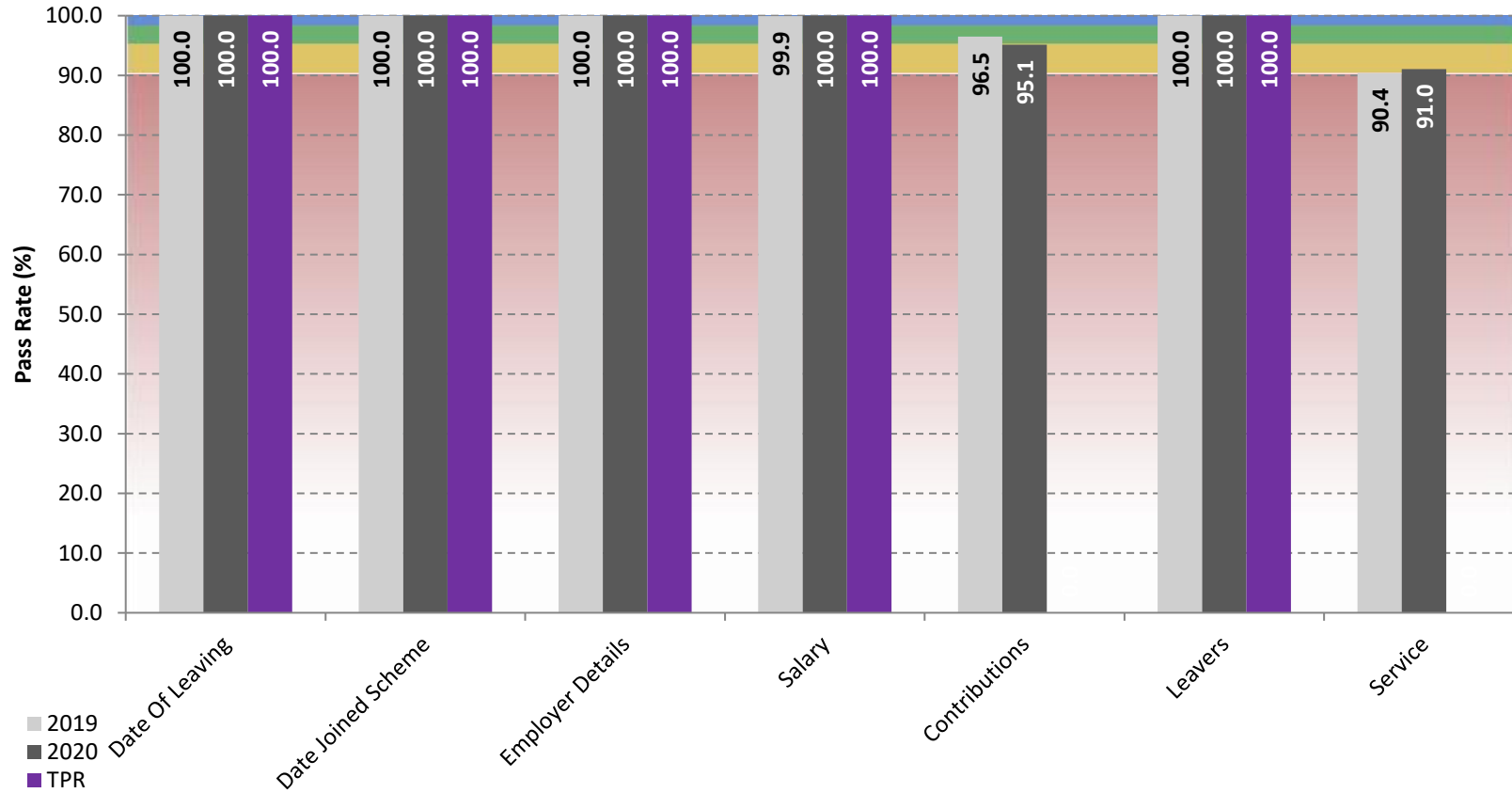
Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Transfer In Details 2 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	256 (-4)	255 (-1)	99.6% (+1.15%)	N/A	Fail A: 1	1 transfer is missing both the name and the location number of the previous scheme. This test is excluded from the TPR core results.
AVC Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where AVC details exist	90 (-3)	90 (-3)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0	All members tested passed all tests in this condition for the second consecutive year.
Total Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	352 (-43)	352 (-43)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0 Fail E: 0 Fail F: 0	All members tested passed all tests in this condition for the second consecutive year.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Tranches of Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	352 (-43)	351 (-42)	99.7% (+0.22%)	100% (0%)	Fail A: 0 Fail B: 1 Fail C: 0 Fail D: 0 Fail E: 0 Fail F: 0	1 members has a total initial pension that does not equal the total of the protected and unprotected pensions. This test is excluded from the TPR core results. This case should be investigated ahead of producing deferred ABS.
Total Gross Pension <u>Eligible for Testing:</u> Status 5 & T	900 (+10)	900 (+10)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0 Fail E: 0	All members tested passed all tests in this condition for the second consecutive year.
Tranches of Pension <u>Eligible for Testing:</u> Status 5& T	900 (+10)	900 (+11)	100% (+0.11%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0 Fail E: 0 Fail F: 0	All members tested passed all tests in this condition. In 2019, 1 member did not have PEN or GMP as the first component.
Total Gross Dependant Pension <u>Eligible for Testing:</u> Status 6	262 (-4)	262 (-4)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0 Fail E: 0	All members tested passed all tests in this condition for the second consecutive year.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Tranches of Dependant Pension <u>Eligible for Testing:</u> Status 6	262 (-4)	262 (-4)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0	All members tested passed all tests in this condition for the second consecutive year.

2.2 Other Member Data Category

2.2.1 Data Results



2.2.2 Analysis of Results

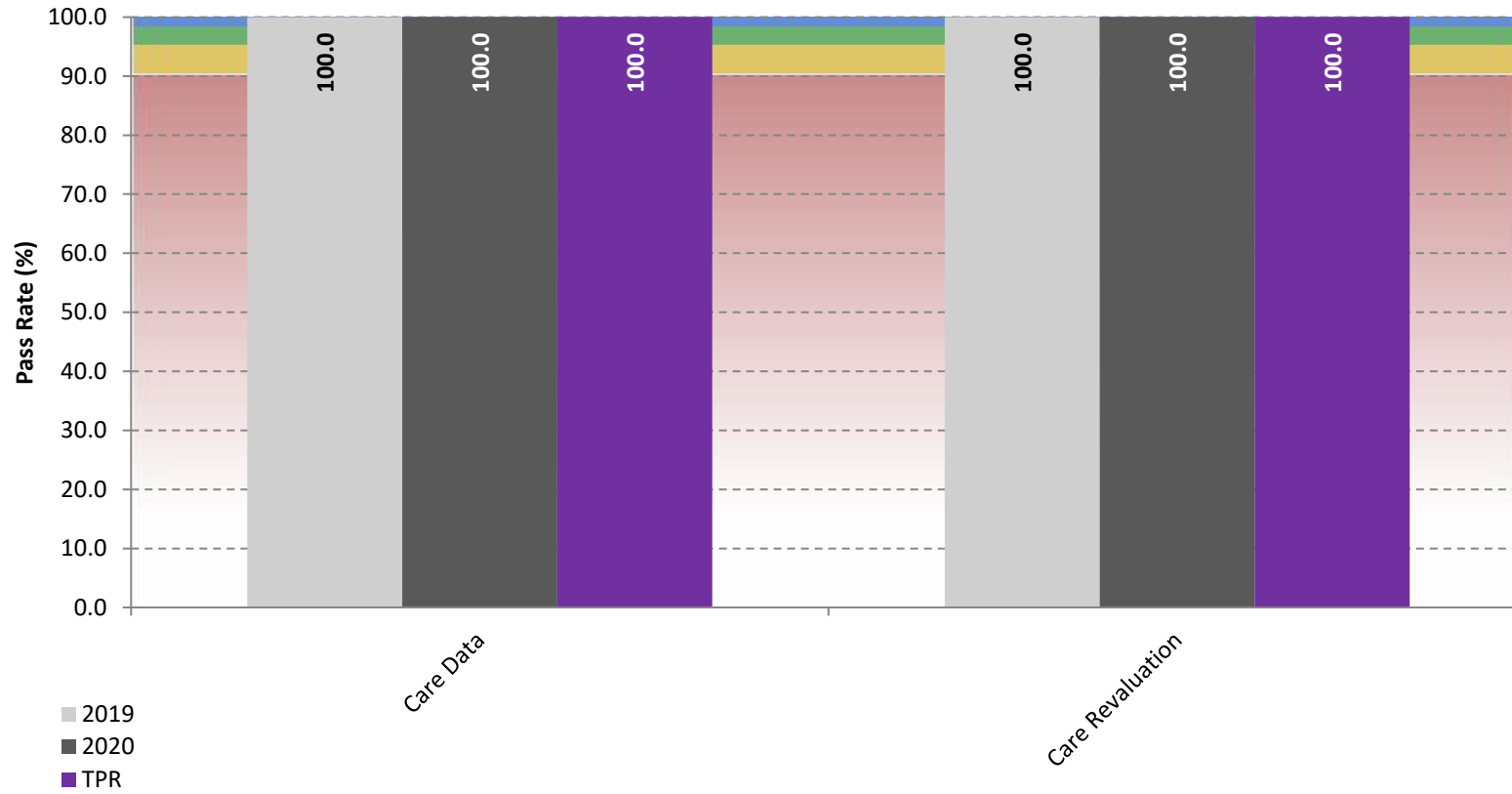
Pension Credit members are excluded from tests in this category.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Date of Leaving <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	1251 (-33)	1251 (-33)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0	All members tested passed all tests in this condition for the second consecutive year.
Date Joined Scheme <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	1251 (-33)	1251 (-33)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0	All members tested passed all tests in this condition for the second consecutive year.
Employer Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	1251 (-33)	1251 (-33)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0	All members tested passed all tests in this condition for the second consecutive year.
Salary (Final Salary members) <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	1251 (-33)	1251 (-32)	100% (+0.08%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0 Fail E: 0 Fail F: 0	All members tested passed all tests in this condition. In 2019, 1 pensioner had an invalid or blank date in the latest pensionable pay field.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Contributions <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	1251 (-33)	1190 (-49)	95.1% (-1.37%)	N/A	Fail A: 61 Fail B: 0	<p>The number of members failing a test has increased by 16 to 61 since 2019 resulting in a 1.37% decrease in the pass rate. This condition is excluded from the TPR core results.</p> <p>61 pensioner members are missing the rolled-up contribution total.</p>
Leavers <u>Eligible for Testing:</u> Status 4, 5, 9 & T	1251 (-33)	1251 (-33)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0	<p>All members tested passed all tests in this condition for the second consecutive year.</p>
Service <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	1251 (-33)	1139 (-22)	91% (+0.63%)	N/A	Fail A: 112	<p>The number of members failing a test has reduced by 11 to 112 since 2019 resulting in a 0.63% increase in the pass rate. This test does not count towards the TPR core results.</p> <p>112 members have dates on the basic details that suggest a change in circumstances without a service history to detail a change.</p> <p>Prioritise the 36 deferred members before the 76 pensioners.</p>

2.3 CARE Benefits

2.3.1 Data Results

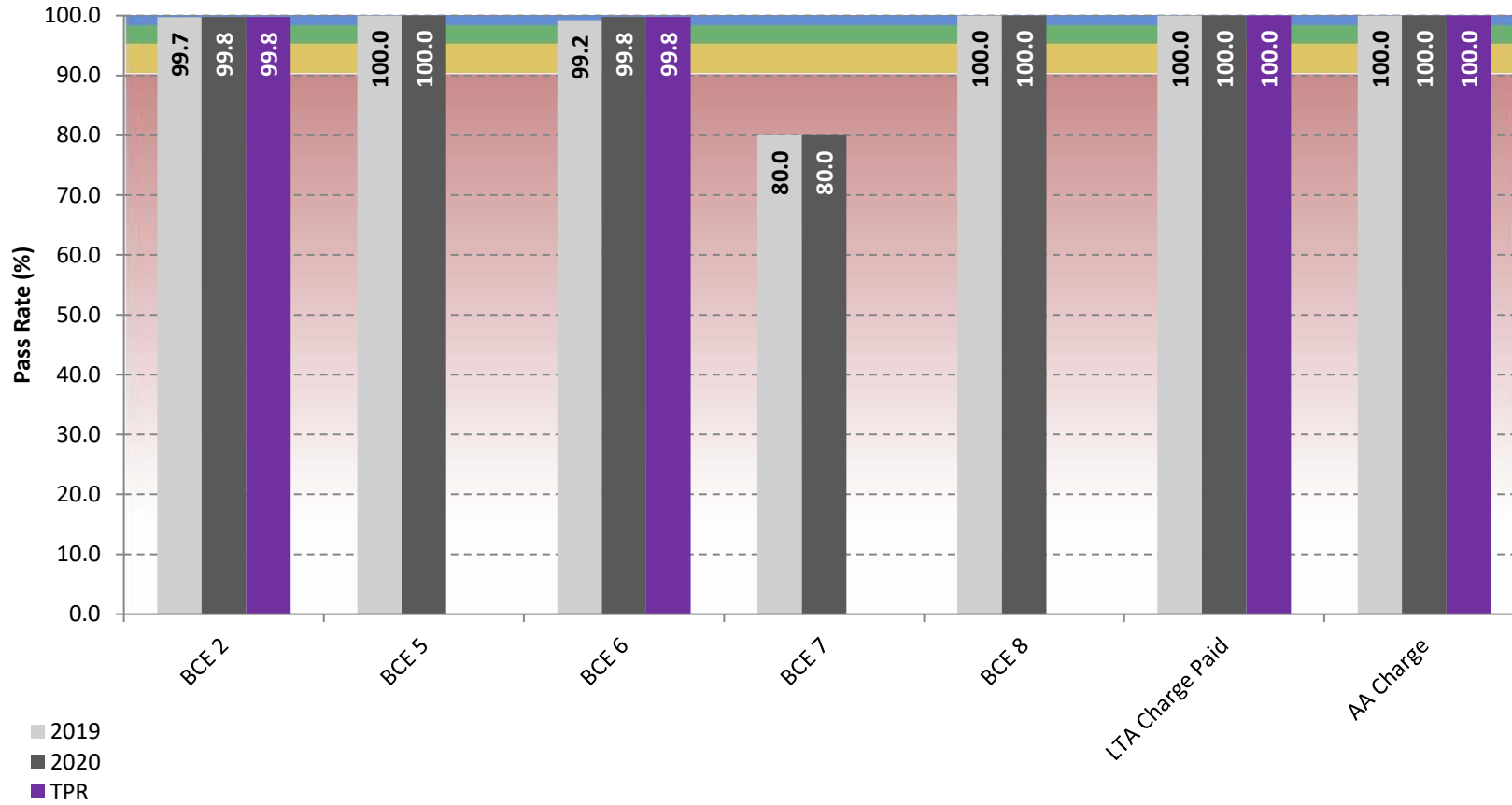


2.3.2 Analysis of Results

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
CARE data <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	3 (+3)	3 (+3)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0	All 3 members who qualified for a test have valid CARE data present. In 2019, no members qualified for a test in this condition.
CARE Revaluation <u>Eligible for Testing:</u> Revaluation Factor Table	1	1	100% (0%)	100%	None	The revaluation table is present and correct

2.4 HMRC

2.4.1 Data Results



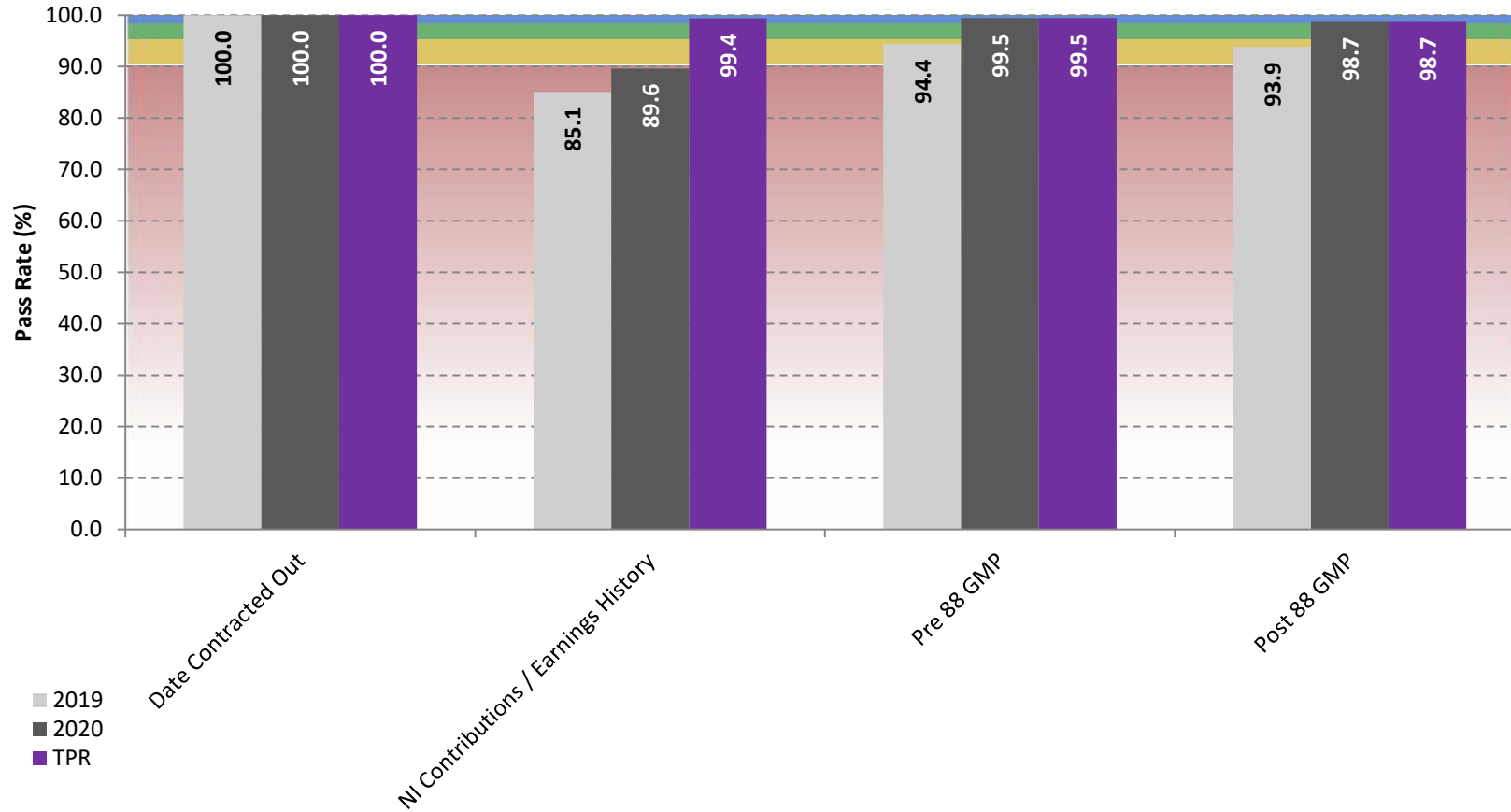
2.4.2 Analysis of Results

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
BCE 2 <u>Eligible for Testing:</u> Status 5 & T where Date Retired > 6/4/2006	432 (+48)	431 (+48)	99.8% (+0.03%)	99.8% (+0.03%)	Fail A: 0 Fail B: 1 Fail C: 1	The number of members failing a test in this condition has remained the same at 1 since 2019. 1 member has a blank PLA value and blank PLA percentage. The PLA value test is included in the TPR core results. In 2019, 1 member failed with an invalid crystallisation date.
BCE 5 <u>Eligible for Testing:</u> Status 4 & T	352 (-43)	352 (-43)	100% (0%)	N/A	Fail A: 0	All members tested passed all tests in this condition for the second consecutive year.
BCE 6 <u>Eligible for Testing:</u> Status 5 & T members where Date Retired > 6/4/2006 and Age at Date Retired < 75	432 (+48)	431 (+50)	99.8% (+0.55%)	99.8% (+0.29%)	Fail A: 0 Fail B: 1 Fail C: 0	The number of members failing a test has reduced from 3 to 1 since 2019 resulting in a 0.55% increase in the pass rate. 1 member does not have a PCLS recorded despite having a lump sum on the pension details. The reasons for this should be investigated prior to looking at methods for populating the data. This test is included in the TPR core results.
BCE 7 <u>Eligible for Testing:</u> Status 7 members where Date of Death (from Exit Details) is after 6/4/06 and within 5 years of Date Retired	5 (0)	4 (0)	80% (0%)	N/A	Fail A: 0 Fail B: 1	1 member has a death grant recorded but has at least one of the crystallised value and percentage missing. In 2019, 1 member was missing a death grant.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
BCE 8 <u>Eligible for Testing:</u> Status 3 members where Date Left is > 6/4/2006 and there is a value in QROPS Transfer Date	0 (0)	0 (0)	100% (0%)	N/A	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0	No members qualified for tests in this condition for the second consecutive year.
Lifetime Allowance Charge Paid <u>Eligible for Testing:</u> Status 5 & T where Date Retired is after 6/4/2006 (ignoring members where Date, Amount & Indicator) are ticked in either Enhanced Protection or Payment of PCLS Reportable Events (Reportable Events 1 & 2 on Crystallisation screen)	432 (+48)	432 (+48)	100% (0%)	100% (0%)	Fail A: 0	All members tested passed all tests in this condition for the second consecutive year.
Annual Allowance <u>Eligible for Testing:</u> Status 1 members	0 (0)	0 (0)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0	There are no active members in SH to qualify for tests in this condition.

2.5 Contracting Out

2.5.1 Data Results



2.5.2 Analysis of Results

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Date Contracted Out <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T members	1029 (-256)	1029 (-256)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0	All members tested passed all tests in this condition for the second consecutive year.
NI Contributions / Earnings History <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T members where NI-Table is not E and date contracted out is on or after 6/4/78 AND before 6/4/1997	1000 (-266)	896 (-181)	89.6% (+4.53%)	99.4% (+4.22%)	Fail A: 0 Fail B: 98 Fail C: 0 Fail D: 0 Fail E: 6	The number of members failing a test has reduced by 85 to 104 since 2019 resulting in a 4.53% increase in the pass rate. 6 members have neither a full NI earnings history nor a GMP recorded (Failed both C and D simultaneously). This test is included in the TPR core results. 98 members do not have values that correspond with Period End Dates. If there are GMP details for these members, the data will not be required. This test is excluded from the TPR core results. This data is key for correct assessment and payment of benefits
Pre 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T members where Contract Out SSPA75 is before 6/4/88	741 (-218)	737 (-168)	99.5% (+5.09%)	99.5% (+5.09%)	Fail A: 4 Fail B: 0 Fail C: 0	The number of members failing a test has reduced by 50 to 4 since 2019 resulting in a 5.09% increase in the pass rate. 4 members that have left with pre 1988 service, are missing a GMP at exit. This test is included in the TPR core results.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Post 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T members where Contract Out SSPA75 is before 6/4/97 and Date Left is after 6/5/1988	824 (-203)	813 (-151)	98.7% (+4.8%)	98.7% (+4.8%)	Fail A: 6 Fail B: 11 Fail C: 0	The number of members failing a test has reduced by 52 to 11 since 2019 resulting in a 4.80% increase in the pass rate. 6 members in this category are missing a value for Total GMP and Post 88 GMP at exit. A further 5 members are just missing a Post 88 GMP at exit. These tests are included in the TPR core results.

3 Data Correction Plan

The table below provides ECC with suggestions for resolving the issues identified in Section 2 and a suggested priority. This table is deliberately high-level as the detail and dates should be agreed once the results have been thoroughly reviewed. The milestones represent a summary of the recommended actions outlined in more detail in Section 2.

Data Category	Milestone	Suggested Priority
Member Benefits	<ul style="list-style-type: none"> Investigate incomplete Transfer In data with a high priority as benefits may be incorrect Correct the 1 issue with deferred benefit cases prior to running deferred annual benefit statements 	<ul style="list-style-type: none"> Medium High
Other Member Data	<ul style="list-style-type: none"> Investigate the 61 cases with missing contributions Investigate the 112 members seemingly missing a service history. 	<ul style="list-style-type: none"> Low Medium
CARE Data	<ul style="list-style-type: none"> No issues found 	
HMRC	<ul style="list-style-type: none"> Investigate the 1 member missing a PLA value and percentage Investigate the 1 member missing a PCLS amount Investigate the 1 case with missing death grant data 	<ul style="list-style-type: none"> Medium Medium Low
Contracting Out	<ul style="list-style-type: none"> Investigate missing and incorrect data for NI contributions and earnings history Review and update GMP values in conjunction with the GMP Reconciliation process Obtain and upload GMP figures for the members with missing data as a high priority 	<ul style="list-style-type: none"> Medium Medium High

4 Appendices

4.1 Appendix A – TPR Guidance (In-Scope Tests)

Member Benefits

Condition	Status Tested	TPR Guidance
Pension Sharing Details	Active, Deferred, Pensioner	If a member has had a pension sharing order, check that full details of the benefits transferred to the ex-spouse/ex-civil partner are present.
Transfer In Details	Active, Deferred, Pensioner	If benefits have been transferred in, check that all relevant details are recorded. This will include (as a minimum) the details of the previous scheme, the amount of the transfer value (split between protected rights and non protected rights and, if relevant, split between the amount received in respect of the member and employer contributions and AVCs), benefits secured, (if relevant) contracting out details.
AVC Details	Active, Deferred, Pensioner	Check that there is a history of any AVCs paid, type of investment, current provider, and (if relevant) benefits being secured
Total Original Deferred Benefit	Deferred	Check that total original deferred benefit is present (either derived or explicit).
Tranches of Original Deferred Benefit	Deferred	Check that there is a breakdown of the various tranches of the total deferred benefit. This must identify tranches with different rates of increases either in deferment or in payment, and tranches with different contingent spouse's/civil partner's benefits. Likely to include such items as pre/post 1997 splits, pre/post 2005 splits, Barber splits, VFM underpin etc. Details of the date at that any tranche is payable, if different from the scheme's normal retirement date, will also be required. The sum of the individual components must equal any total deferred pension that is recorded on the system.
Total Gross Pension	Pensioner	Check that a total pension is present (either derived or explicit).

Condition	Status Tested	TPR Guidance
Tranches of Pension	Pensioner	Check that there is a breakdown of the various tranches of the total pension, identifying tranches with different rates of increase and contingent spouse's/civil partner's benefits. The sum of the individual components must equal any total pension that is recorded on the system.

Other Member Data

Condition	Status Tested	TPR Guidance
Date of Leaving	Deferred, Pensioner	For trust-based schemes, check that member has a date of leaving that is after date joined
Date Joined Scheme	Active, Deferred	Check that the date joined scheme is present, later than date of birth, and not earlier than date joined company. False dates should be classed as missing data.
Date joined employing company	Active, Deferred	For members of multi-employer schemes check that date joined employing company is present and is later than date of birth. False dates should be classed as missing data.
Salary	Active, Deferred	Check that there is at least one relevant salary within the last 12 months of membership.
Salary History	Active, Deferred	Check that a relevant salary exists for each of the last 5 renewal periods of membership and is greater than £0.50.
Contributions	Pensioner	For contributory schemes check that there is a contribution amount present for each year of active membership, or that a contribution total is present.
Date of leaving (date pensionable service ended)/ date last premium/contribution paid	Deferred, Pensioner	For trust-based schemes check that member has a date of leaving which is after date joined scheme, and that member status is not active if date of leaving is present.

CARE Data

Condition	Status Tested	TPR Guidance
Accrued benefit details	Active, Deferred, Pensioner	Check that accrued benefit details are present if they are updated and recorded annually. If benefits are calculated from first principles when member leaves, all relevant salary & contribution will be required instead.
Revaluation percentage	Global Table	Check that there is a history of revaluation percentage for the accrued pension for each relevant year, if benefits have not been not uprated and recorded annually.

HMRC

Condition	Status Tested	TPR Guidance
Benefit Crystallisation Event Details	Active, Deferred, Pensioner	Check that full details of the dates and amounts paid at each benefit crystallisation event, including details of LTA percentage used, are present.
Lifetime Allowance Charge Paid	Pensioner	Check that the date and amount of any lifetime allowance charge paid is present.

Contracting Out

Condition	Status Tested	TPR Guidance
Date Contracted Out	Active, Deferred, Pensioner	Check that this is present and not earlier than 06/04/1978.
N.I. History (Contracted Out earnings & contributions)	Active, Deferred, Pensioner	Check that members have a full contracted-out history during any period contracted out on a GMP basis. A verified GMP, agreed with NISPI, would be an acceptable alternative. Not required for reduced rate females.
Pre 88 GMP	Deferred, Pensioner	Check that a member with at least one month of pre 4/88 contracted out service has a pre 88 GMP. GMP must be divisible by 52. May be derived if total GMP and post 4/88 GMP are recorded.
Post 88 GMP	Deferred, Pensioner	Check that a member with at least one month of post 4/88 service contracted out on a GMP basis has a post 88 GMP. Can be derived or explicit.

4.2 Appendix B – Benefit Crystallisation Events (In-Scope)

Benefit Crystallisation Event	Description
BCE2	Where a member becomes entitled to a scheme pension, whether from a defined benefits arrangement or a money purchase arrangement.
BCE5	Test the level of entitlements not taken by a member at age 75 under a defined benefits arrangement, by measure of the level of benefits that would come into payment at that time, if drawn.
BCE6	<p>A lifetime allowance test is triggered through BCE6 whenever a member becomes entitled under a registered pension scheme to:</p> <ul style="list-style-type: none"> • A pension commencement lump sum paid before age 75, when uncrystallised benefits are drawn under an arrangement • A serious ill health lump sum paid before age 75, where the individual falls into serious ill health • A lifetime allowance excess lump sum where a chargeable amount has been identified because the individual's lifetime allowance has been fully used up.
BCE7	Where a relevant lump sum death benefit is paid on the death of the member.
BCE8	Where a member's benefits or rights are transferred to a qualifying recognised overseas pension scheme.

4.3 Appendix C – Conditions and Fail Criteria

Member Benefits

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Divorce Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where Calculation Date (DVC-CALDTE) has a value	Value is missing in total pension debit (DVC-TOTINI)	Value prior to 01/12/2000 is present in calculation date (DVC-CALDTE)	Value prior to 01/12/2000 is present in Payment Date (DVC-PAYDTE)	CETV (DVC-TVAMT) is blank or 0	Pension debit (DVC-CONAMT) is blank or 0	Percentage split (DVC-PCSPLT) is blank, 0 or over 100
Tested: 2	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0
Transfer In Details 1 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	Date received (ADD-TV-DT) is blank or 0 Only Actives (1) and deferred (2) are counted for the TPR results	Transfer Value is blank or 0 (ADD-TV) Only Actives (1) and deferred (2) are counted for the TPR results	Service (ADD-BD-CR) and transferred pension (ADD-RETP) are both blank or 0 Test is excluded from the TPR results	If service (ADD-BS-CR) > 0, service history must be present. There must be a service history line that starts (HIST-START) on the same date as previous scheme from ADD-FROM) Test is excluded from the TPR results	Type (ADD-TYPE) is not valid ie CLUB, INTERFND, NON CLUB, PERSONAL, RESTITUTIO or some have INTRAFND Test is excluded from the TPR results	Date TV Received is invalid or < date joined fund (DJF) Test is excluded from the TPR results
Tested: 256	Failed: 2	Failed: 0	Failed: 81	Failed: 81	Failed: 113	Failed: 9
Transfer In Details 2 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	Previous scheme name (ADD-PR-SCH) or employer reference (ADD-PR-EMP) must be present Test is excluded from the TPR results					
Tested: 256	Failed: 1					

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
AVC Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where AVC details exist	If AVC Details present then start date (AVC-START) must be present	If AVC Details present then contract end date (AVC-TE-DUE) must be present and equal to or later than AVC-START Test is excluded from the TPR results	If AVC Details present and type (AVC-TYPE) is A, B, G, L, P, R, S then added years (AVC-ADDY) must be greater than 0	If AVC Details present and type (AVC-TYPE) is H, M then pension (AVC-P75T) must be greater than 0 and less than or equal to the scheme maximum		
Tested: 90	Failed: 0	Failed: 0	Failed: 0	Failed: 0		
Total Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	No value in Initial Pension (DEF-TOT-IP)	The value in Initial Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	No value in total current pension (DEF-TOT-CP)	The value in total current Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	PI date (DEF-INC-DT) must be present and later than date joined fund (DJF)	Last PI date (DEF-PI-DT[1]) is earlier than last PI date processed by customer Test is excluded from the TPR results
Tested: 352	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0
Tranches of Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	Member has no 'PEN' tranche (DEF-TYPE) or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer. (including negative values)	'PEN' + 'UPEN' + 'TAPE' does not equal Total Initial Pension Test is excluded from the TPR results	Member with service between 01/04/2008 (09 S&NI) and 31/03/2014 (15 S&NI) has no 'PN60' tranche or has one with a value less than a small figure (default of £1.00) agreed with customer	Member with post 31/03/2014 (15 S&NI) service has no 'CARE' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Member with CARE5050 or TVINLG50 CARE data has no 'CP50' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	Member with pre 01/04/2008 (09 S&NI) service has no 'RA' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results
Tested: 352	Failed: 0	Failed: 1	Failed: 0	Failed: 0	Failed: 0	Failed: 0

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Total Gross Pension <u>Eligible for Testing:</u> Status 5 & T	No value in Initial Pension (PEN-TOT-IP)	The value in Initial Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	No value in total current pension (PEN-TOT-C)	The value in total current Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	PI date (PEN-INC-DT) must be present and later than DJF	
Tested: 900	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0	
Tranches of Pension <u>Eligible for Testing:</u> Status 5 & T	'PEN' tranche (PEN-TYPE) has a value less than or equal to a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	Member with service between 01/04/2008 (09 S&NI) and 31/03/2014 (15 S&NI) has no 'PN60' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Member with post 31/03/2014 (15 S&NI) service has no 'CARE' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Member with CARE5050 or TVINLG50 CARE data has no 'CP50' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Last PI date (PEN-PI-DT[1]) is earlier than last PI date processed by customer	The first pension component on the list must be either 'PEN' or 'GMP' Test is excluded from the TPR results
Tested: 900	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0
Total Gross Dependant Pension <u>Eligible for Testing:</u> Status 6	No value in Initial Pension (DEP-TOT-IP)	The value in Initial Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	No value in total current pension (DEP-TOT-C)	The value in total current Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	PI date (DEP-INC-DT) must be present	
Tested: 262	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0	

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Tranches of Dependant Pension <u>Eligible for Testing:</u> Status 6	'PEN' tranche (DEP-TYPE) has a value less than or equal to a small figure (default of £1.00) agreed with customer	Last PI date (DEP-PI-DT) is earlier than last PI date processed by customer Test is excluded from the TPR results				
Tested: 262	Failed: 0	Failed: 0				

Other Member Details

Pension Credit members are excluded from tests in this category.

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Date of Leaving <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T	A non-Status 1 member has a blank entry or an invalid date in Date Left (DATE-LEFT)	Date Joined Fund (DJF) is either blank or earlier than or equal to 1/1/1900	Date Joined Fund is later than or equal to Date Left if Date Left present	Date left is present for a status 1 member who does not have a previous status of 4 or 9 Test is excluded from the TPR results		
Tested: 1251	Failed: 0	Failed: 0	Failed: 0	Failed: 0		
Date Joined Scheme <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	Any of Date Joined Scheme (DJF), Date of Birth (DOB) and/or Date commenced current service (DCCPS) Joined Fund are either blank or earlier than or equal to 1/1/1900	Date Joined Fund (DJF) is earlier or equal to Date of Birth (DOB) plus 15 years Test is excluded from the TPR results				
Tested: 1251	Failed: 0	Failed: 0				
Employer Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	Location (LOCATION) is blank	Date Joined employer (DT-JOIN-EM) is either blank or earlier than or equal to 1/1/1900	Date Joined employer must be earlier than date of birth (DOB) plus 15 years Test is excluded from the TPR results	Employment type (CLASS) is blank Test is excluded from the TPR results		
Tested: 1251	Failed: 0	Failed: 0	Failed: 0	Failed: 0		

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Salary (Final Salary members) <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	A member with pre-01/04/2014 (2015 in S&NI) service has an invalid or blank date in the latest instance of Pensionable remuneration (PEN-REM)	For non-status 1 or 2 members, the latest instance of Pensionable remuneration does not equal the member's DATE-LEFT <i>Test is excluded from the TPR results</i>	The latest instance of Pensionable remuneration contains a valid date (PEN-REM-DT) but there is no corresponding amount <i>Test is excluded from the TPR results</i>	Status 4 member does not have a value in DEF-PENREM or a value less than a small figure (default of £1.00) agreed with customer <i>Test is excluded from the TPR results</i>	Status 5 or T member does not have a value in PEN-PS-REM or a value less than a small figure (default of £1.00) agreed with customer <i>Test is excluded from the TPR results</i>	For status 1 members the latest pensionable remuneration date must be equal to or later than the customer's last posting date <i>Test is excluded from the TPR results</i>
Tested: 1251	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0
Contributions <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	Total Paid Including Interest (TCI-TOTAL) is blank or less than a small figure (default of £1.00) agreed with customer <i>Test is excluded from the TPR results</i>	For status 1 members the latest date must be equal to or later than the customer's last posting date and have a corresponding figure <i>Test is excluded from the TPR results</i>				
Tested: 1251	Failed: 61	Failed: 0				
Leavers <u>Eligible for Testing:</u> Status 4, 5, 9 & T	Date Left (DATE-LEFT) is either blank or is earlier than or equal to 1/1/1900	Date Joined Scheme (DJF) is either blank or is earlier than or equal to 1/1/1900	Date Left is earlier than Date Joined Scheme <i>Test is excluded from the TPR results</i>			
Tested: 1251	Failed: 0	Failed: 0	Failed: 0			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Service <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	If DCCPS > DJF, and DJF < 01/04/2014(15 S&NI)), service history must be present Test is excluded from the TPR results					
Tested: 1251	Failed: 112					

CARE Benefits

CARE data <u>Eligible for Testing:</u> All status 1 and status 2, 4, 5, 9 & T where Date Left is after 31/03/14 (31/03/15 in S&NI)	If member has post-31/03/2014 (2015 in S&NI) service then at least one of LGPSMAIN or LGPS5050 must be present if the member joined before the start of the current scheme year Test is excluded from the TPR results	Every 31/03 from later of DJF or 2015 (2016 in S&NI) to earlier of date-left or current date must be present as an end date on at least one of LGPSMAIN, LGPS5050, TVINLGMN or TVINLG50	If contributions at any 31/03 from later of DJF or 2015 (2016 in S&NI) to earlier of date-left or current date are > 0, there must be an entry on at least one of LGPSMAIN or LGPS5050 for the same date with a pay figure > 0 Test is excluded from the TPR results	
Tested: 3	Failed: 0	Failed: 0	Failed: 0	
CARE revaluation <u>Eligible for Testing:</u> Revaluation Factor Table	Every 31/03 from 2015 (2016 in S&NI) to date must be present on factor table 000/B/00/684/2014/0101 2012	The rates on the table do not match the record of HM treasury rates Test is excluded from the TPR results		
	Failed: 0	Failed: 0		

HMRC

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
<p>BCE 2</p> <p><u>Eligible for Testing:</u> Status 5 & T where Date Retired > 6/4/2006</p>	Crystallisation Date (CRYS-CRYSYS) is not a valid date or is earlier than date left	PLA Value (CRYS-PLA) is blank	PLA% (CRYS-PLAPC) is blank Test is excluded from the TPR results			
Tested: 432	Failed: 0	Failed: 1	Failed: 1			
<p>BCE 5</p> <p><u>Eligible for Testing:</u> Status 4 & T</p>	Any member of these deferred statuses where the member is over the age of 75 Test is excluded from the TPR results					
Tested: 352	Failed: 0					
<p>BCE 6</p> <p><u>Eligible for Testing:</u> Status 5 & T where Date Retired > 6/4/2006 and Age at Date Retired < 75</p>	Crystallisation Date is not a valid date (CRYS-PPD) or is earlier than date left Test is excluded from the TPR results as they are included in BCE2	PCLS amount (CRYS-PPA) is blank if PEN-TOT-AL is > zero	There is a date in Serious Ill Health Lump Sum Payment (CRYS-ILLD) but no corresponding amount (CRYS-ILLA) OR There is an amount in Serious Ill Health Lump Payment but no corresponding date Test is excluded from the TPR results			
Tested: 432	Failed: 0	Failed: 1	Failed: 0			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
BCE 7 <u>Eligible for Testing:</u> Status 7 where Date of Death (from Exit Details) is after 6/4/06 and within 5 years of Date Retired	Total death grant (CDTC-TOTLS) is blank (To be checked in first run and removed if deemed not relevant.) Test is excluded from the TPR results	There is a value >0 in Total death grant but one or more of the following fields is blank or 0: Crystallised Value at Date of Death (CDTC-CVAL) Crystallised % Value at Date of Death (CDTV-CVALP) Test is excluded from the TPR results				
Tested: 5	Failed: 0	Failed: 1				
BCE 8 <u>Eligible for Testing:</u> Status 3 where Date Left is > 6/4/2006 and there is a value in QROPS Transfer Date	QROPS Transfer Date (CRYS-TFRD) is not a valid date or is earlier than date left Test is excluded from the TPR results	QROPS Transfer Amount (CRYS-TFRA) is blank Test is excluded from the TPR results	Date of Birth (DOB) is not a valid date Test is excluded from the TPR results	Age at QROPS Transfer Date is over 75 Test is excluded from the TPR results		
Tested: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0		

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Lifetime Allowance Charge paid <u>Eligible for Testing:</u> Status 5 & T where Date Retired is after 6/4/2006 (ignoring members where Date, Amount & Indicator) are ticked in either Enhanced Protection or Payment of PCLS Reportable Events (Reportable Events 1 & 2 on Crystallisation screen)	Value in Used PLA% (CRYS-TPPC) is greater than 100% and there is no value in any of LTA Charge (CRYS-LTACH), 25% LTA Charge (CRYS-LTA25) or 55% LTA Charge (CRYS-LTA55)					
Tested: 432	Failed: 0					
Annual Allowance <u>Eligible for Testing:</u> Status 1	Latest annual allowance PIP end date is earlier than the latest run by the customer					
Tested: 0	Failed: 0	Failed: 0				

Contracting Out

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F		
Date Contracted Out <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T	Contract-Out SSPA75 is blank and DJF is prior to 6/4/16	Contract-Out SSPA75 is prior to 6/4/78	The date in Contract-Out SSPA75 is later than 5/4/16					
Tested: 1029	Failed: 0	Failed: 0	Failed: 0					
NI Contributions/Earnings History <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where NI-Table is not E and date contracted out is on or after 6/4/78 AND before 6/4/1997	A Status 4 member is missing Date Left Active Service or a Status 5 member is missing both Date Left Active Service and Date of Retirement	For one or more of the Period End Dates, there is not a corresponding value in Amount Test is excluded from the TPR results	There is not a separate entry in Period End Date (NI) for each April 5th between Date Contracted Out and 5/4/97 (or Date Left/Date Ret if earlier for Status 4 & 5 respectively) (non-reportable – see fail E)				GMP is not present on the NI details for status 1 and 2 and on GMP details for status 4, 5 & T (non-reportable – see fail E)	Fail C and Fail D both occurred
Tested: 1000	Failed: 0	Failed: 98	Failed: 0				Failed: 0	Failed: 6
Pre 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T where Contract Out SSPA75 is before 6/4/88	There is no value provided for total GMP at exit	Deducting Post 88 GMP at Exit from Total GMP at Exit results in a negative number	The result of deducting Post 88 GMP at Exit from Total GMP at Exit is not divisible by 52.					
Tested: 741	Failed: 4	Failed: 0	Failed: 0					

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Post 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T where Contract Out SSPA75 is before 6/4/97 and Date Left is after 6/5/1988	There is no value provided for total GMP at exit	There is no value provided for Post 88 GMP at Exit	Post 88 GMP at Exit is not divisible by 52			
Tested: 824	Failed: 6	Failed: 11	Failed: 0			





Aquila Heywood

Local Government Pension Scheme Common Data Quality Report Scottish Homes



September 2020

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1 Executive Summary

1.1 Introduction

In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they consider to be good practice for measuring the presence of member data. Specific targets were set for data TPR deemed as 'common' and Aquila Heywood has assisted customers in the collection and qualification of this data.

To assist customers in undertaking a practical assessment of their common data, Aquila Heywood offers a Data Quality service.

1.2 Data Quality Service

Working with the Edinburgh City Council (ECC), Aquila Heywood has completed a review of Scottish Homes' (SH) common pension data in line with the guidance notes set down by TPR. Aquila Heywood's understanding of the Local Government Pension Scheme data, benefit calculations, interfaces and processes, has assisted in the agreement of which items to test. The tests to satisfy each condition have been run and the results quantified to provide guidance on any corrective action required.

The service incorporates data items tested against the data conditions agreed with ECC. To provide focus on the key areas of common data to be addressed, each data category is measured against an agreed benchmark.

In 2019, a set of "core" tests were identified for reporting to TPR. The results to be quoted to TPR are quoted separately from the overall test scores. For details of where the TPR tests differ from the overall tests, please refer to appendix B.

1.3 Benchmark

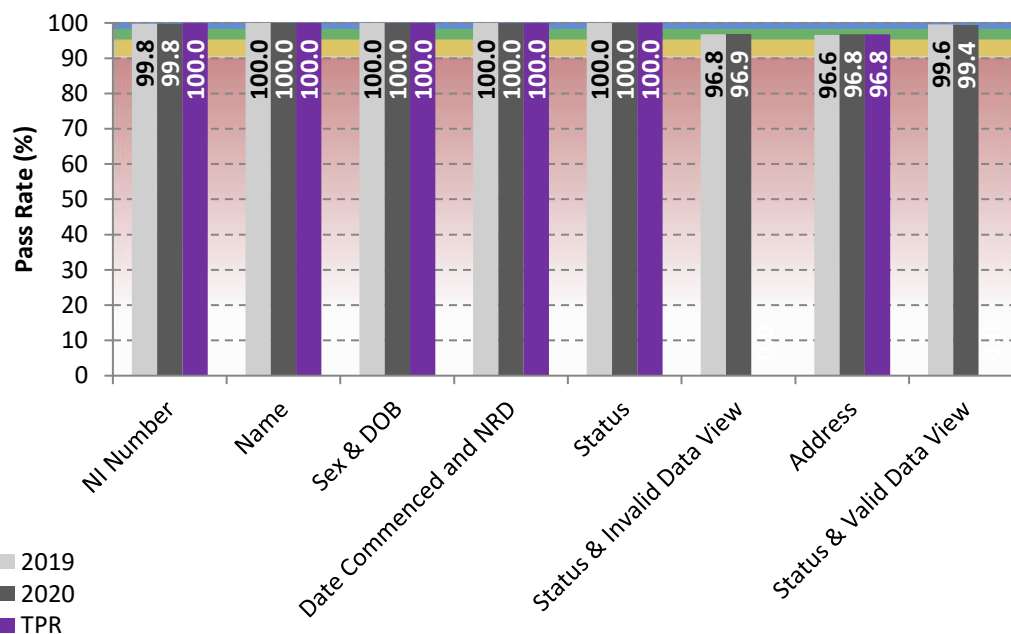
The benchmarks applied to the results presented in this report were agreed between ECC and Aquila Heywood. The categories and thresholds are as follows:

Category	Pass Threshold
Blue	Pass rate \geq 98%
Green	95% \leq Pass rate $<$ 98%
Amber	90% \leq Pass rate $<$ 95%
Red	Pass rate $<$ 90%

These benchmarks are illustrated in the background of the results graphs. TPR have set targets of 100% accuracy for data created after June 2010 and 95% accuracy for data created beforehand. The Aquila Heywood data quality service measures data as a whole as updates for many members are continuous and alter the last updated date on the system.

1.4 Summary of Common Data Results

The graph below indicates SH's performance for each data category against the agreed scheme benchmarks together with the results from the 2019 tests. The results presented herein are generated from data extracted from ECC's Live Altair service on 1st September 2020 for all tests. The 2019 tests were generated from data extracted on 13th August 2019. The overall percentage of tests passed for SH's common data is **99.1%** which is the same score achieved in 2019. The 2020 tests were conducted on 2,529 member records, an increase of 52 on 2019.

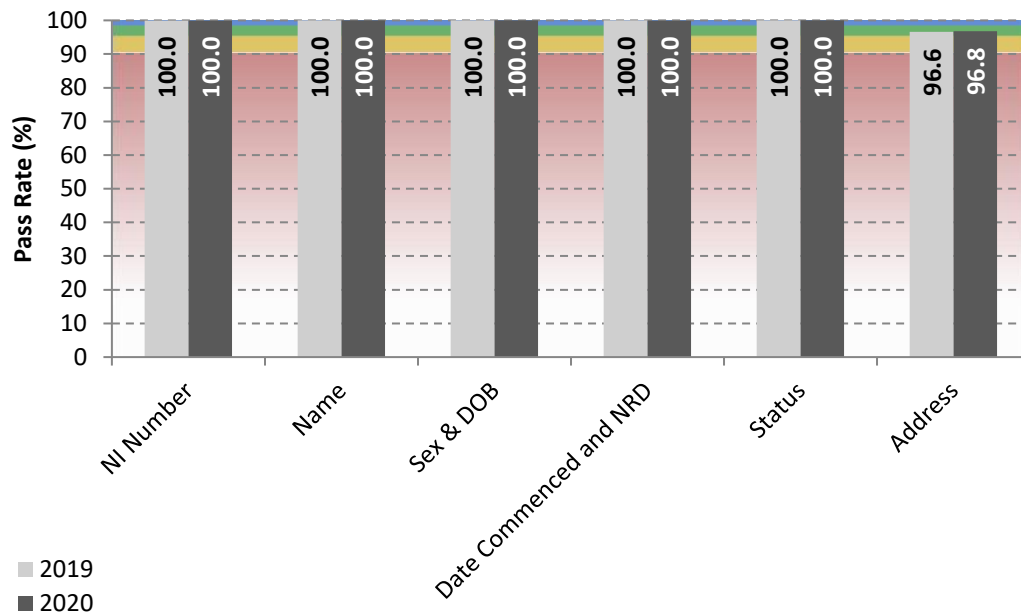


Six of the eight categories met the highest benchmark of greater than 98% with three categories not recording a single failure. The lowest scoring category concerned member **Address** that achieved a score of **96.8%**. The other category that failed to reach the highest benchmark was **Status and Invalid Data View** with a score of **96.9%**. The general quality of the common data tested at ECC is of a high standard.

The percentage of member records without a single common data failure is **93.1%**. This represents a 0.1% improvement of the 2019 score of 93.0%.

1.5 TPR Common Data Core Test Results

The percentage of member records that did not fail any of the tests deemed to be in the core list of TPR tests is **96.7%**. This score represents a 0.2% increase on the 2019 score of 96.5%. This is the figure to be quoted on the scheme return to TPR. The core test scores for each category are shown below.



2 Analysis of Common Data Results

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
NI Number <u>Eligible for Testing:</u> All members	2529 (+52)	2524 (+52)	99.8% (0%)	100% (0%)	Fail A: 0 Fail B: 4 Fail C: 1	<p>The number of members failing a test has remained the same at 5 since 2019.</p> <p>4 members have a temporary NI number. 1 of these is an adult dependant and is counted towards the TPR core test results. The remaining 3 failures are leavers.</p> <p>Another 1 leaver has an NI number in an incorrect format which is not a core test.</p>
Name <u>Eligible for Testing:</u> All members	2529 (+52)	2529 (+52)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0	All member records have valid name fields recorded for the second consecutive year.
Sex and Date of Birth <u>Eligible for Testing:</u> All members (Leavers and deaths excluded from test D)	2529 (+52)	2529 (+52)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0	All member records have valid sex and date of birth fields recorded for the second consecutive year.
Date commenced and NRD <u>Eligible for Testing:</u> All members	2529 (+52)	2528 (+51)	100% (0%)	100% (0%)	Fail A: 1 Fail B: 0	1 leaver has a blank date joined fund recorded. In 2019, all member records had valid date of commencement fields recorded.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Status <u>Eligible for Testing:</u> All members	2529 (+52)	2529 (+52)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0	All member records have a valid and consistent status recorded for the second consecutive year.
Status and invalid data view <u>Eligible for Testing:</u> All members	2529 (+52)	2450 (+53)	96.9% (+0.11%)	N/A	Fail A: 68 Fail B: 5 Fail C: 5 Fail D: 1	<p>The number of members failing a test has reduced by 1 to 79 resulting in a 0.11% increase in the pass rate since 2019. This condition does not count towards the TPR core results.</p> <p>68 members have an 'Exit' data view which is not in line with their status history. 5 members have an unexpected 'deferred' data view having never been deferred on their status history. 5 members have an unexpected 'pensions' data view. 1 member has an unexpected 'dependants' data view.</p> <p>79 members in total have data views that are not expected for their status history:</p> <ul style="list-style-type: none"> - 4 leavers and 6 deceased, that may be dealt with as a lower priority; - 9 are deferred pensioners; - 60 are pensioners.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Address <u>Eligible for Testing:</u> All members except leavers and deaths (status 3 and 7)	2529 (+52)	2448 (+56)	96.8% (+0.23%)	96.8% (+0.23%)	Fail A: 0 Fail B: 0 Fail C: 80 Fail D: 1 Fail E: 0	The number of members failing a test has reduced by 4 to 81 resulting in a 0.23% increase in the pass rate since 2019. 80 members are recorded as “gone away”, 72 of which are deferred members, 5 are pensioners and 3 are dependants. 1 pensioner is missing a postcode. These tests count towards the TPR core test results.
Status and valid data view <u>Eligible for Testing:</u> Members with deferred benefits or benefits in payment (Status 4, 5, 6, 7 and 9)	2529 (+52)	2513 (+46)	99.4% (-0.23%)	N/A	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 1 Fail E: 13 Fail F: 2	The number of members failing a test has increased by 6 to 16 resulting in a 0.23% decrease in the pass rate since 2019. This condition does not count towards the TPR core results. 1 deceased case from deferred status is missing exit details where death grant details are recorded. 13 deceased members who were pensioners do not have a date recorded for when the pension ceased. Similarly, 2 deceased dependants do not have a date recorded for when the pension ceased.

3 Data Correction Plan

The table below provides ECC with suggestions for resolving the issues identified. This table is deliberately high-level as the detail and dates should be agreed once the results have been thoroughly reviewed. This table represents a summary of the recommended actions outlined in Section 2.

Data Category	Recommendation	Suggested Priority
NI Number	<ul style="list-style-type: none"> Obtain correct NI numbers for the 4 members with temporary numbers and the 1 in the incorrect format. Prioritise the 1 adult dependant. 	<ul style="list-style-type: none"> Low
Name	<ul style="list-style-type: none"> No issues found 	
Sex and Date of Birth	<ul style="list-style-type: none"> No issues found 	
Date commenced and NRD	<ul style="list-style-type: none"> Correct the date joined fund for the 1 leaver 	<ul style="list-style-type: none"> Low
Status	<ul style="list-style-type: none"> No issues found 	
Status and invalid data view	<ul style="list-style-type: none"> Invalid data should be removed where necessary or the member status history corrected where appropriate. These cases should be treated as a high priority where the member is not a leaver or deceased as the presence of the data may affect benefits 	<ul style="list-style-type: none"> High
Address	<ul style="list-style-type: none"> Current addresses should be sought and uploaded for the members that failed this category 	<ul style="list-style-type: none"> Medium
Status and valid data view	<ul style="list-style-type: none"> The 1 death from deferred status may be missing death grant data and should be investigated The 13 pensioner deaths and 2 dependant deaths with missing cease dates should be investigated and corrected 	<ul style="list-style-type: none"> Low Low

4 Appendices

4.1 Appendix A – TPR Guidance

Data Field	TPR Comment
National Insurance Number	'TN' formats should be regarded as missing data. The final character of NI numbers is not essential.
Surname	Check that surname is present.
Forename(s) or initials	Forenames are preferable but initials are an acceptable alternative.
Sex	Check that sex is present.
Date of birth	Check that date of birth is present and consistent (earlier than date joined scheme, retirement, date of leaving). False dates should be classed as missing data.
Date pensionable service started/policy start date/first contribution date	For trust-based schemes this will be date pensionable service started. For contract-based schemes this will effective start date of the policy or the first contribution date, depending on the provider's requirements.
Expected retirement/maturity date (target retirement age)	This field may be derived or explicit; for most DB schemes it will probably be derived as the scheme's normal retirement date. Need to check that it is populated if that is a scheme/system requirement, that it is consistent with scheme rules and statutory requirements, and is later than date of birth and pensionable service date/first contribution date.
Membership status	Check that a current valid status is recorded for each member. This may be a dual status, eg active or deferred member with partial retirement. For contract-based schemes this may be 'active' or 'inactive'.
Last status event	Check that benefits taken are consistent with status, and, if status history is recorded, that the latest status is the same as the explicitly recorded current status.

Data Field	TPR Comment
Address	An address should be present for all members of all schemes. Because of DPA requirements an exception is permissible for active members of those trust-based schemes in which communication with members is normally sent via the employer. 'Gone away', 'unknown' or similar should be treated as missing data.
Postcode	Check that a postcode is present if address is not identifiable as being overseas. Will assist with valuations for actives, for whom storing full address may breach DPA principles.

4.2 Appendix B – Common Data and Fail Criteria

Common Data

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
<p>NI Number</p> <p><u>Eligible for Testing:</u> All members</p>	NI Number (NI-NUMBER) is blank	<p>NI number is temporary (commences TN) and is not a child pension (DEPND-TYPE = 'C')</p> <p>Leavers (3) and deaths (7) are excluded from the TPR results</p>	<p>NI number does not adhere to standard (Neither of the first two letters can be D, F, I, Q, U or V. The second letter cannot be O. Prefixes BG, GB, KN, NK, NT, TN (checked in fail B) and ZZ are not used. Suffix must be A, B, C or D. Characters 3-8 must be numbers)</p> <p>Test is excluded from the TPR results</p>			
Tested: 2529	Failed: 0	Failed: 4	Failed: 1			
<p>Name</p> <p><u>Eligible for Testing:</u> All members</p>	Surname (SURNAME) is blank	Forenames (FORENAMES) is blank	<p>Initials (INITIALS) is blank</p> <p>Test is excluded from the TPR results</p>			
Tested: 2529	Failed: 0	Failed: 0	Failed: 0			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Sex and Date of Birth <u>Eligible for Testing:</u> All members *	Sex (SEX) is blank	Sex is not Male or Female	Date of Birth (DOB) is blank	Date of Birth is earlier than or equal to 01/01/1900 (* Leavers and deaths excluded from this test) (Status 3 and 7)		
Tested: 2529	Failed: 0	Failed: 0	Failed: 0	Failed: 0		
Date commenced and NRD <u>Eligible for Testing:</u> All members	Date Joined fund (DJF) is blank	Date Joined Fund is earlier than Date of Birth plus 15 years Test is excluded from the TPR results	NRD checks are not required as these are always calculated			
Tested: 2529	Failed: 1	Failed: 0				
Status <u>Eligible for Testing:</u> All members	Status (STATUSKEYF) is blank	Status is not 1-9, T or O	Status on member summary (STATUSKEYF) does not match that on basic details (STATUS[1]) Test is excluded from the TPR results			
Tested: 2529	Failed: 0	Failed: 0	Failed: 0			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Status and invalid data view <u>Eligible for Testing:</u> All members Category is excluded from the TPR results	Exit details should not be present unless status is 3, 7 or 9 or a previous status is 9 and the current status is 1, 2, 4, 5 or T	Deferred details should not be present unless status is 4 or a previous status is 4 and the current status is 1, 2, 3, 5, 7 or T	Pension details should not be present unless status is 5 or T or a previous status is 5 or T and the current status is 1, 2, 3, 4 or 7	Dependant details should not be present unless status is 6 or a previous status is 6 and the current status is 3 or 7		
Tested: 2529	Failed: 68	Failed: 5	Failed: 5	Failed: 1		
Address <u>Eligible for Testing:</u> All members except leavers and deaths (status 3 and 7)	Address record does not exist	Address record exists, but line 1 (ADD-LINE-1) is blank	Gone Away (ADD-GONAWY) indicator is set	If the address is not overseas, the Postcode (POSTCODE) is blank	If the address is not overseas, the Postcode is not the correct format (1 st letter =Q, V or X, 2 nd letter is I, J or Z, 3 rd , 4 th or 5 th character is not a space) Test is excluded from the TPR results	
Tested: 2529	Failed: 0	Failed: 0	Failed: 80	Failed: 1	Failed: 0	

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
<p>Status and valid data view</p> <p><u>Eligible for Testing:</u> Members with deferred benefits or benefits in payment (Status 4, 5, 6, 7 and 9)</p> <p>Category is excluded from the TPR results</p>	Status 4 does not have deferred details	Status 5 does not have pension details	Status 6 does not have dependant details	Status 7 or 9, with a previous status of 1 or 4 do not have exit details	Status 7 with a previous status of 5 should have a relevant date pension ceased	Status 7 with a previous status of 6 should have a relevant date pension ceased
Tested: 2529	Failed: 0	Failed: 0	Failed: 0	Failed: 1	Failed: 13	Failed: 2





Aquila Heywood

Local Government Pension Scheme Scheme-specific Data Quality Report Lothian Pension Fund



September 2020

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1 Executive Summary

1.1 Introduction

In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they consider to be good practice for measuring the presence of member data. Specific targets were set for data TPR deemed as 'common' and Aquila Heywood has assisted customers in the collection and qualification of this data. TPR also outlined 'scheme-specific' data but did not set prescriptive targets as the data is deemed to be scheme-specific. The guidance did target Pension Scheme Trustees to ensure that 'reasonable endeavours' were undertaken to provide evidence of assessment and measurement, together with an action plan to meet the scheme specific targets.

To assist customers in undertaking a practical assessment of their scheme-specific data, Aquila Heywood offers a Data Quality service.

1.2 Data Quality Service

Working with Edinburgh City Council (ECC), Aquila Heywood has completed a review of Lothian Pension Fund's (Lothian) scheme-specific pension data in line with the guidance notes set down by TPR detailed in appendix A. Aquila Heywood's understanding of the Local Government Pension Scheme data, benefit calculations, interfaces and processes, has assisted in the agreement of which items to test. The tests to satisfy each condition have been run and the results quantified to provide guidance on any corrective action required.

The following terms should be understood to aid understanding of the conditions used and the results obtained:

- **Data condition** – identified TPR condition, for example check that an active member does not have a date of leaving
- **Data category** – grouping of relevant data conditions, for example **Member Benefits** (see section 1.4 below)
- **Data item** – item of data which forms part of a data condition for example 'date of leaving'

The service incorporates in the order of 100 individual tests against the data conditions agreed with ECC. To provide focus on the key areas of scheme-specific data to be addressed, each data category is measured against an agreed benchmark.

In 2019, a set of “core” tests were identified for reporting to TPR. The results to be quoted to TPR are quoted separately from the overall test scores. For details of where the TPR tests differ from the overall tests, please refer to appendix C.

1.3 Benchmark

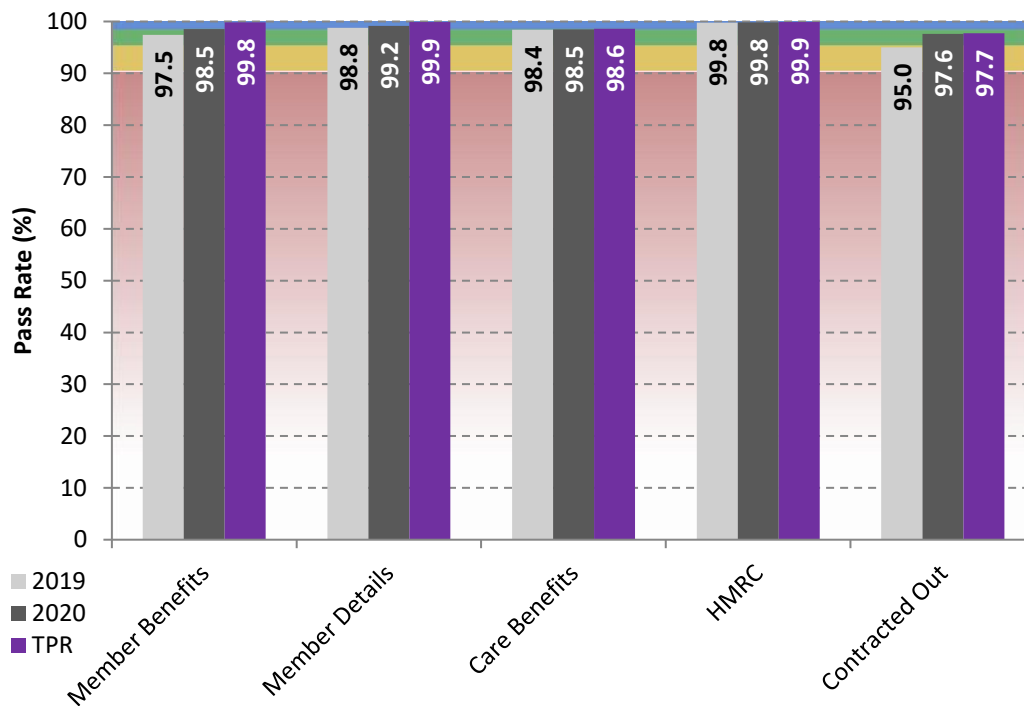
The benchmarks applied to the results presented in this report were agreed between ECC and Aquila Heywood. The categories and thresholds are as follows:

Category	Pass Threshold
Blue	Pass rate \geq 98%
Green	95% \leq Pass rate $<$ 98%
Amber	90% \leq Pass rate $<$ 95%
Red	Pass rate $<$ 90%

These benchmark ranges are illustrated in the background of subsequent results graphs.

1.4 Summary of Scheme-specific Data Results

The graph below indicates Lothian’s performance for each data category against the agreed scheme benchmarks together with the results from the 2019 tests. Also below is an explanation as to the data conditions relevant to each data category. The results presented herein are generated from data extracted from ECC’s Live Altair service on 1st September 2020 for all tests. The 2019 tests were generated from data extracted on 13th August 2019. The overall percentage of tests passed for Lothian’s scheme-specific data is **98.9%**, an improvement over the 2019 score of 98.1%. The percentage of member records without a single scheme-specific data failure is **94.5%**. This represents an improvement compared to the 2019 score of 91.6%.



The total number of member records tested is 152,394, an increase of 5,802 records from the number tested in 2019.

1.4.1 Member Benefits Data

This category includes those data conditions for members that directly relate to the details of benefits in payment or to the calculation of benefits yet to be paid.

A total number of 65,146 members qualified for one or more checks as part of the in-scope conditions under this category, an increase of 1,362 on 2019. ECC set a minimum 90% benchmark target and achieved a **98.5%** pass rate, placing it in the blue benchmark. This pass rate is a **1.0%** improvement on 2019. The detailed analysis of each condition is in Section 2.1, but 9 of the 10 Data Conditions specified attained the highest benchmark category (Blue, >98%). The lowest scoring condition was **Transfer In Details 1**, where **86.8%** of members tested passed. This represents a **11.2%** improvement on 2019. Although many of the cases that failed this condition do not directly affect benefits being paid to members, these cases should be investigated to ensure service credits are correctly recorded.

1.4.2 Other Member Data

This category includes those data items that may be used in the calculation of member benefits.

A total number of 83,579 members qualified for one or more checks as part of the in-scope conditions under this category, an increase of 1,998 on 2019. ECC set a minimum 90% benchmark target and achieved a **99.2%** pass rate, attaining the highest blue benchmark. This pass rate is a **0.4%** improvement from 2019. The detailed analysis of each condition is in Section 2.2 with 6 of the 7 Data Conditions specified attained the highest benchmark category (Blue, >98%). The lowest score was on the **Contributions** condition, where **95.7%** of members passed. This represents a **0.7%** decrease on 2019.

1.4.3 CARE Benefits

This category includes those data items required to calculate Career Average Revalued Earning (CARE) benefits.

A total number of 49,441 members qualified for the checks as part of the in-scope conditions under this category, an increase of 3,471 on 2019. ECC set a 90% minimum benchmark target and achieved a **98.5%** pass rate, placing CARE benefits in the highest blue benchmark. This pass rate represents a **0.1%** increase from 2019. Failures in this category require investigation as CARE data directly affects member benefits.

As CARE revaluation is calculated for each member from a single factor table, the table itself is checked for a complete list of factors and was given a 100% pass. The detailed analysis of the conditions is in Section 2.3. Fails in this category directly affect the calculation of member benefits and so should be resolved as a priority.

1.4.4 HMRC

This category includes those values recorded as a result of the Finance Act 2004 as well as Pre A-Day limits.

A total number of 72,623 members qualified for one or more checks as part of the in-scope conditions under this category, an increase of 2,722 on 2019. The conditions within this category have been expanded for clarity and are detailed in Appendix B.

ECC set a 90% minimum benchmark target and achieved a **99.8%** pass rate placing the category in the highest blue benchmark. This pass rate is the same as 2019. The detailed analysis of each condition is in Section 2.4. The highest benchmark was achieved in 6 of the 7 categories. The **BCE 7 (Death Benefits)** condition attaining a pass rate of **87.1%** placing the condition in the red benchmark. This pass rate represents a 0.1% increase over 2019 however, 5 more members have failed a test. The bulk of cases did not have a death grant recorded where one was expected although it is worth noting that only 472 members qualified for this test.

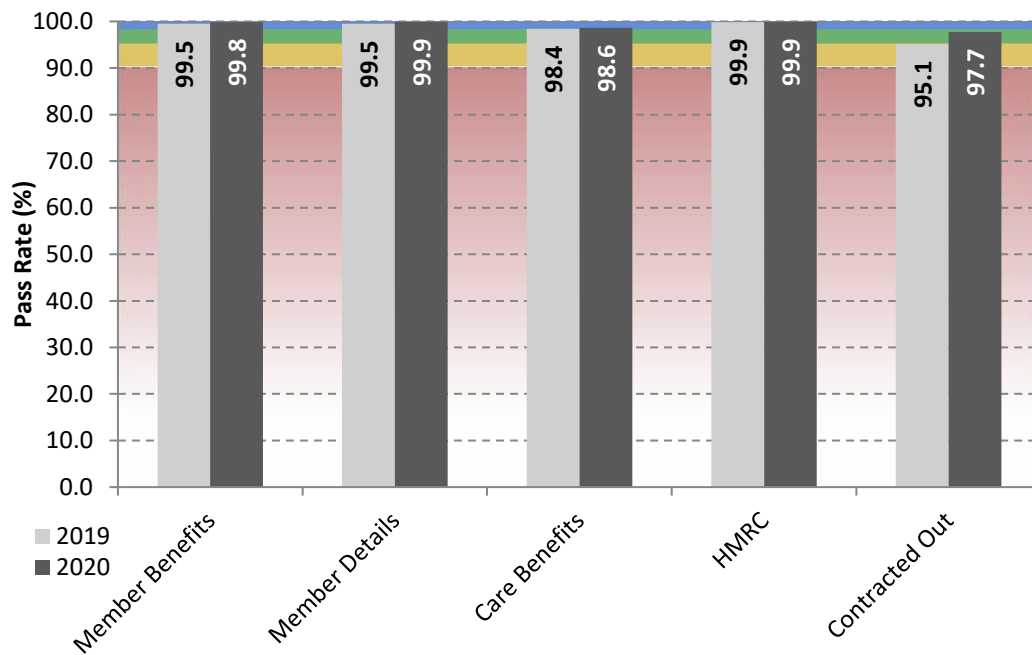
1.4.5 Contracting Out

This category includes those data items required to meet scheme contracting out conditions.

A total number of 81,532 members qualified for one or more checks as part of the in-scope conditions under this category, an increase of 474 on 2019. ECC set a 90% minimum benchmark target and achieved a **97.6%** pass rate, placing Contracting Out in the green benchmark. This pass rate is **2.6%** higher than in 2019. The detailed analysis of each condition is in Section 2.5 but the highest individual score was achieved in the condition **Date Contracted Out**, where only 36 members failed leading to a pass rate of **100%**. The remaining three categories in Contracting Out achieved scores between **93.2%** and **95.5%** with all three are showing an improvement between 5.1% and 7.8% over 2019. Fails in this category are likely to have an impact on GMP Reconciliation and so should be resolved either in advance, or as part of the GMP Reconciliation process.

1.5 TPR Scheme-specific Data Core Test Results

The percentage of member records that did not fail any of the tests deemed to be in the core list of TPR tests is **96.9%**. This represents an increase of 1.5% over the 2019 score of 95.4%. This is the figure to be quoted on the scheme return to TPR. The results for each qualifying category are shown below:



1.6 Other Information

The remainder of this report is split into the following sections:

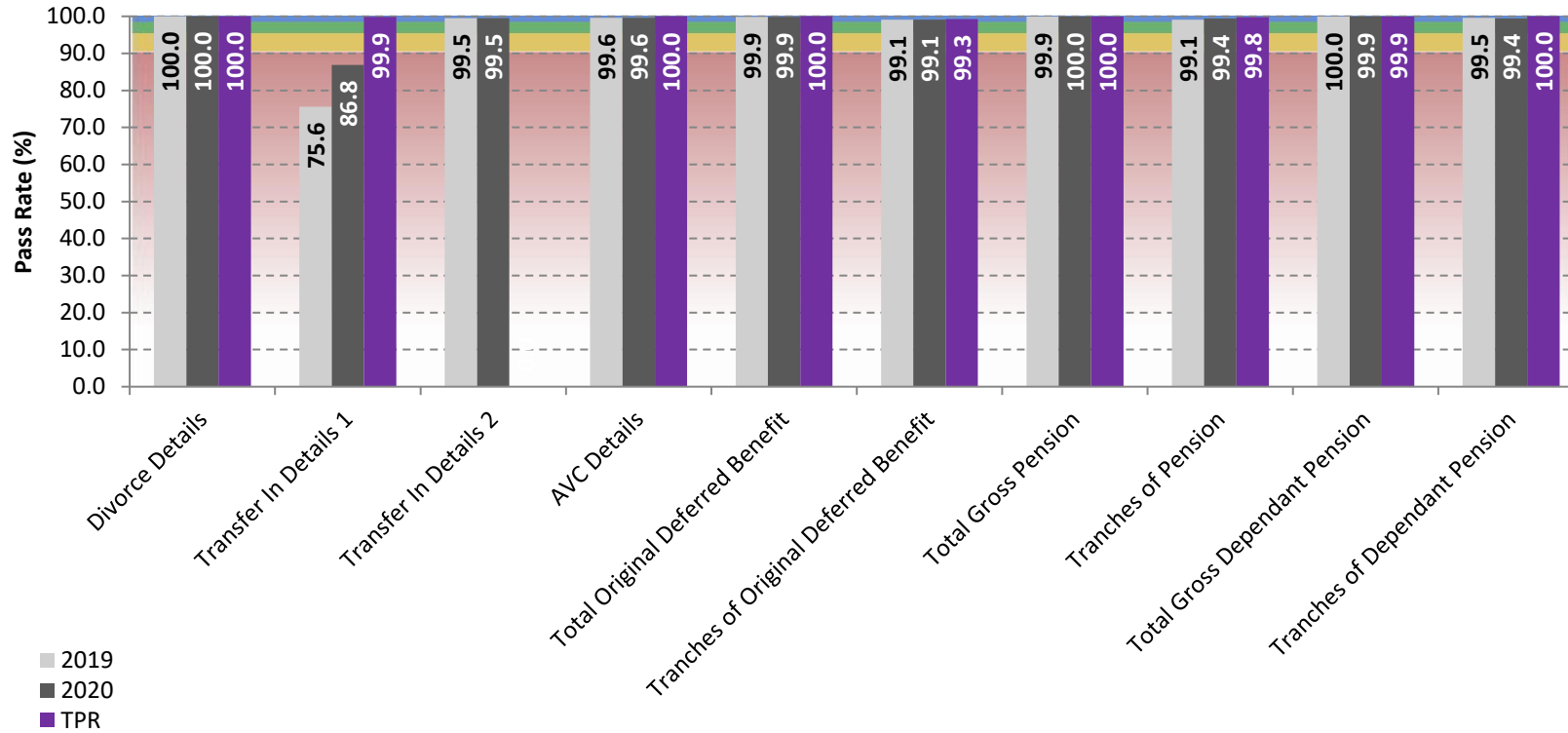
- **Scheme-specific Data Results** – results of each in-scope condition per category along with the number of members tested, main failures and suggested risks and actions
- **Appendices** – details to qualify failures against each condition, along with a list of TPR’s guidance relating to the Local Government Pension Scheme

Where possible, Aquila Heywood has provided advice and suggested next actions to work with ECC in implementing a solution to any data anomalies. This document is the start point for ECC data management policy and Aquila Heywood will agree with ECC the appropriate frequency to repeat these conditions and demonstrate progress in scheme-specific data cleansing.

2 Scheme-specific Data Results

2.1 Member Benefits Data Category

2.1.1 Results



2.1.2 Analysis of Results

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Divorce Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where Calculation Date (DVC-CALDTE) has a value	107 (0)	107 (0)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0 Fail E: 0 Fail F: 0	All members tested passed all tests in this condition for the third consecutive year.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Transfer In Details 1 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	10600 (-91)	9204 (+1120)	86.8% (+11.22%)	99.9% (+2.8%)	Fail A: 42 Fail B: 3 Fail C: 604 Fail D: 684 Fail E: 143 Fail F: 54	<p>The number of members failing a test has reduced by 1211 to 1396 since 2019 resulting in a 11.22% increase in the pass rate.</p> <p>42 transfers are missing the date of transfer and 3 are missing a transfer value. Of the 45 members failing these two tests, 15 of them are either active or deferred and count towards the TPR core tests.</p> <p>There are also 604 failures where there is no service credit or pension credit recorded from the transfer that will require investigation. The majority are interfunds that were manually input. Providing service was recorded correctly on the service history, member benefits will be correct.</p> <p>A common fail with 684 instances are where there is a service credit, but no corresponding service dates on the service history that should be investigated urgently.</p> <p>143 instances concerned invalid transfer types that do not match those calculations write-back. Most of these are recorded with a blank entry with the latest recorded in 2006. This fault may lead to incorrect reporting but will not affect benefits for these members.</p> <p>Additionally, there were 54 cases where the transfer date was prior to the date of commencement.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Transfer In Details 2 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	10600 (-91)	10552 (-88)	99.5% (+0.02%)	N/A	Fail A: 76	76 transfers across 48 members are missing both the name and the location number of the previous scheme. This is 3 fewer members than 2019. This test is excluded from the TPR core results.
AVC Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where AVC details exist	4031 (+26)	4013 (+24)	99.6% (-0.05%)	100% (-0.02%)	Fail A: 16 Fail B: 16 Fail C: 1 Fail D: 1	<p>The number of members failing a test has increased from 16 to 18 since 2019 resulting in a 0.05% decrease in the pass rate.</p> <p>1 active member with an added pension contract is missing or has invalid amount of additional pension recorded. This test counts towards the TPR core results.</p> <p>16 pensioner members are missing both a start date and a due to end date for their AVC. 1 further pensioner member has an added years contract without a period of service being purchased. These members are not included in the TPR core results.</p>

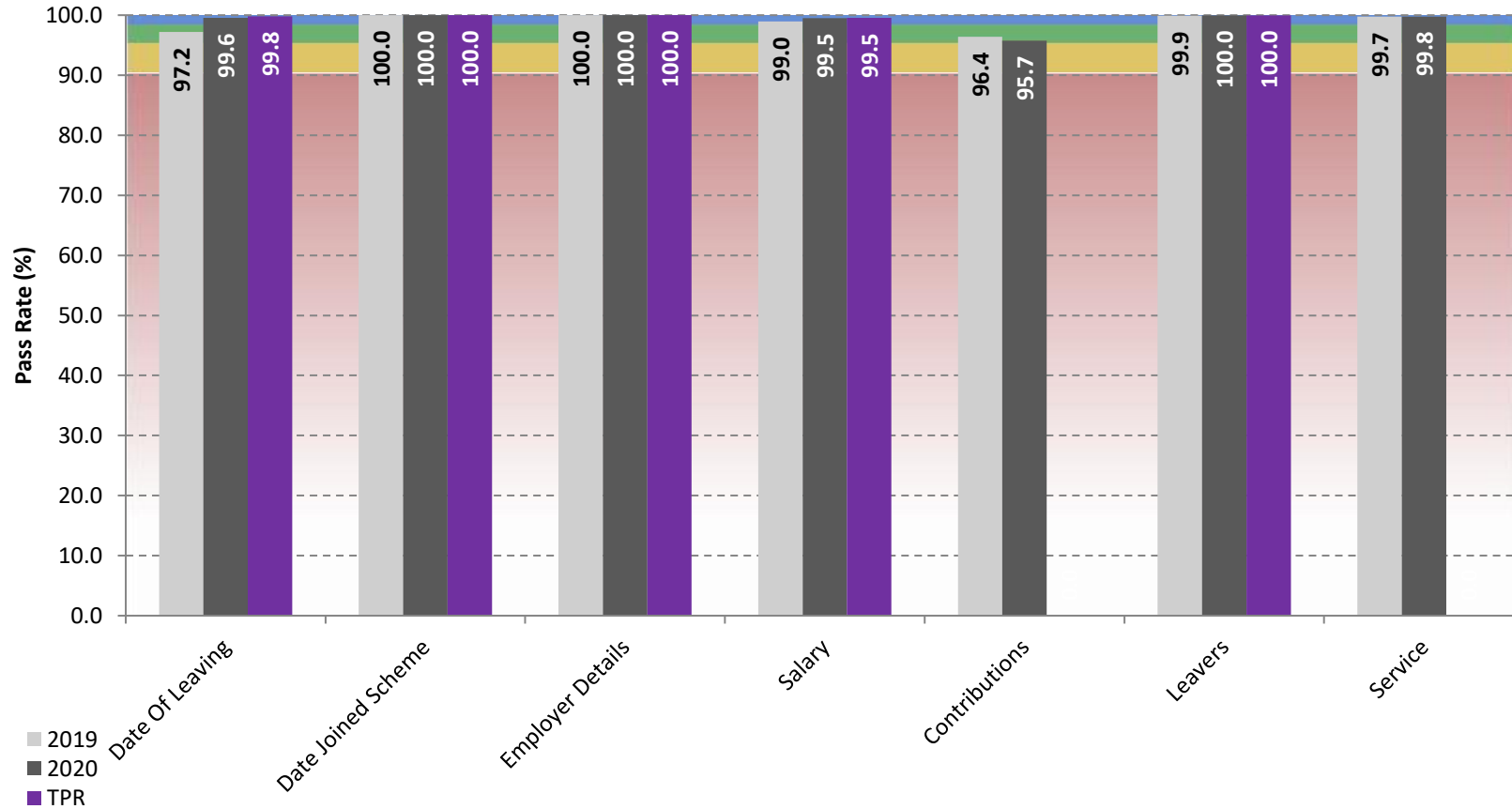
Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Total Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	19177 (+172)	19152 (+173)	99.9% (+0.01%)	100% (+0.01%)	Fail A: 1 Fail B: 2 Fail C: 1 Fail D: 1 Fail E: 2 Fail F: 20	<p>The number of members failing tests in this condition has been reduced by 1 to 25 since 2019.</p> <p>1 member is missing both an initial and current pension value. 2 members have an invalid PI effective date. These tests count towards the TPR core results.</p> <p>2 members have a value in initial pension that is less than £1 of which 1 also has a value in current pension that is less than £1.</p> <p>20 members have a latest PI date earlier than the latest PI date processed. These cases should be investigated ahead of producing deferred ABS.</p>
Tranches of Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	19177 (+172)	19000 (+166)	99.1% (-0.02%)	99.3% (-0.02%)	Fail A: 2 Fail B: 15 Fail C: 85 Fail D: 60 Fail E: 0 Fail F: 20	<p>The number of members failing tests in this condition has increased by 6 to 177, causing a marginal reduction in the pass rate.</p> <p>85 members with membership between 2009 and 2015 are missing or have a small 60ths pension component and 60 members with post 2015 membership are missing or have a small CARE component. These tests are included in the TPR core results.</p> <p>2 members are either missing or have a very small PEN component which is mandatory. 15 members had a total initial pension that did not equal the total of the protected and unprotected pensions. 20 members with pre-2009 service did not have a scheme lump sum recorded.</p> <p>These cases should be investigated ahead of producing deferred ABS.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Total Gross Pension <u>Eligible for Testing:</u> Status 5 & T	27064 (+1291)	27051 (+1298)	100% (+0.03%)	100% (+0.03%)	Fail A: 1 Fail B: 0 Fail C: 1 Fail D: 0 Fail E: 13	<p>The number of members failing tests in this condition has reduced by 7 to 13.</p> <p>1 member is missing both an initial and current pension value. 13 members, including the 1 above, have an incorrect PI effective date. These tests count towards the TPR core results.</p>
Tranches of Pension <u>Eligible for Testing:</u> Status 5& T	27064 (+1291)	26902 (+1364)	99.4% (+0.31%)	99.8% (+0.27%)	Fail A: 0 Fail B: 1 Fail C: 5 Fail D: 0 Fail E: 52 Fail F: 106	<p>The number of members failing tests in this condition has reduced by 73 to 162 resulting in a 0.31% improvement in the pass rate.</p> <p>1 member with service between 2009 and 2015 has a missing or small 60ths component and 5 members with post-2015 service have a missing or small CARE component. 52 members do not have the latest Pensions Increase date recorded. These tests are included in the TPR core results.</p> <p>106 members do not have PEN or GMP as the first component.</p> <p>These cases should be investigated as a high priority.</p>
Total Gross Dependant Pension <u>Eligible for Testing:</u> Status 6	4167 (-36)	4163 (-38)	99.9% (-0.05%)	99.9% (-0.05%)	Fail A: 2 Fail B: 0 Fail C: 2 Fail D: 0 Fail E: 3	<p>4 members have failed tests in this condition, 2 more than in 2019.</p> <p>2 members are missing both an initial and current pension value. 3 members, including 1 from above, are missing a PI effective date. These tests count towards the TPR core results.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Tranches of Dependant Pension <u>Eligible for Testing:</u> Status 6	4167 (-36)	4144 (-40)	99.4% (-0.1%)	100% (-0.02%)	Fail A: 1 Fail B: 22	The number of members failing tests in this condition has increased by 4 to 23 leading to a small decrease in the pass rate. 1 member is either missing or has a very small PEN component which is mandatory. This test counts towards the TPR core results. 22 members have a last PI date earlier than the latest date processed by ECC and should be investigated as a high priority to ensure correct benefits are in payment. This test does not count towards the TPR core results.

2.2 Other Member Data Category

2.2.1 Data Results



2.2.2 Analysis of Results

Pension Credit members are excluded from tests in this category.

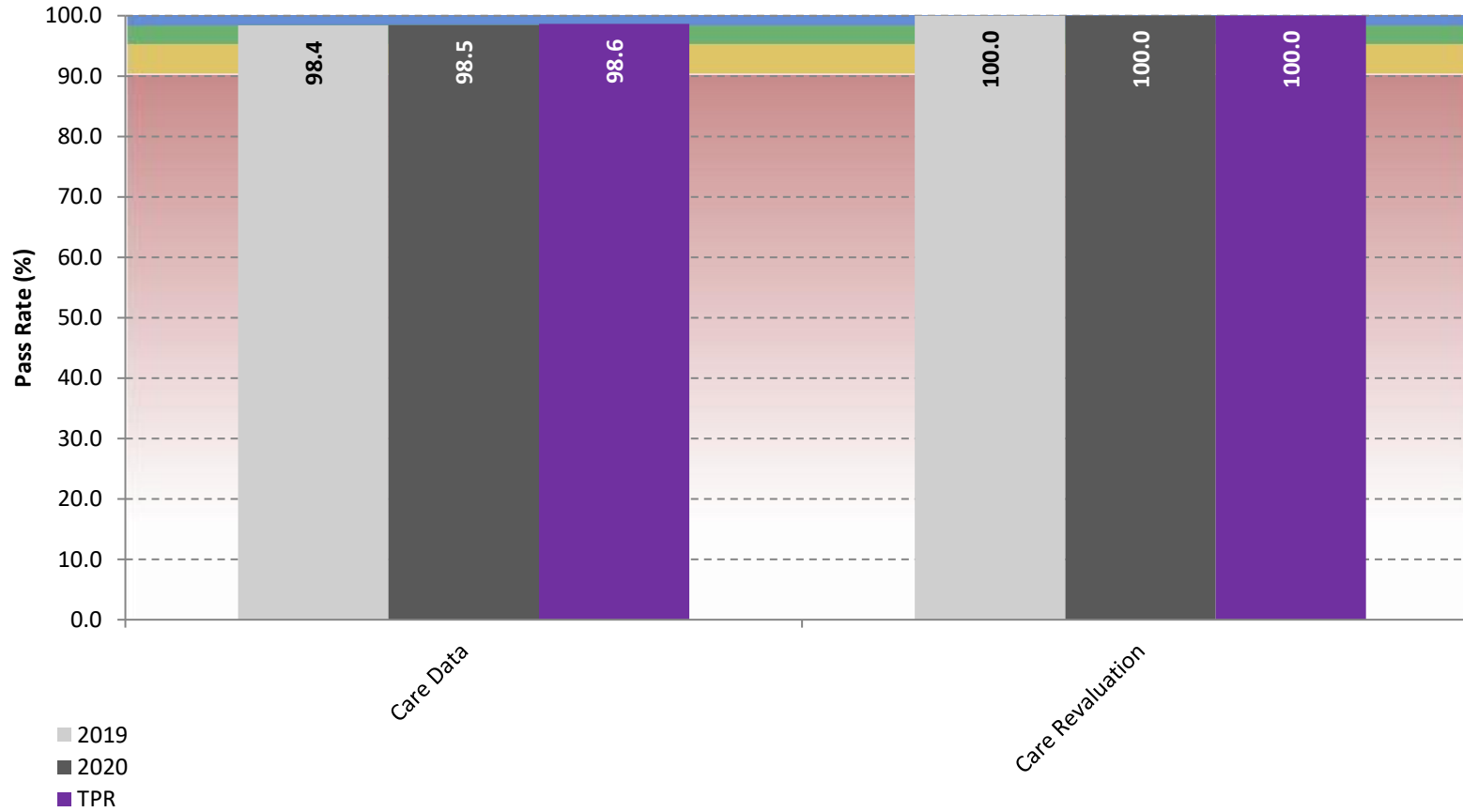
Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Date of Leaving <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	83579 (+1998)	83205 (+3915)	99.6% (+2.36%)	99.8% (+2.27%)	Fail A: 138 Fail B: 0 Fail C: 5 Fail D: 231	2291 members failed tests in this condition in 2019. This has decreased to 374 resulting in a 2.36% increase in the pass rate. 138 non-active members are missing a date of leaving. 5 members have a date of leaving earlier than their date joined fund. These tests count towards the TPR core results. 231 members have a date of leaving present without a previous leaving status.
Date Joined Scheme <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	83579 (+1998)	83579 (+1999)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0	All members have valid date joined scheme. In 2019, 1 member was missing a key service date.
Employer Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	83579 (+1998)	83578 (+1998)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 1 Fail C: 0 Fail D: 0	1 member is missing a date joined employer, the same as in 2019. This test is included in the TPR core results.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Salary (Final Salary members) <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	79131 (+536)	78741 (+962)	99.5% (+0.55%)	99.5% (+0.41%)	Fail A: 364 Fail B: 0 Fail C: 0 Fail D: 5 Fail E: 1 Fail F: 337	<p>The number of members failing tests in this condition has reduced by 426 to 390 resulting in a 0.55% increase in the pass rate.</p> <p>364 members with pre-2015 membership have an invalid or blank date in the latest pensionable pay field. 362 are active or undecided leavers which are included in the TPR core results.</p> <p>5 deferred member has a blank or small entry in the pensionable pay field on their deferred details. Similarly, 1 pensioner has a blank or small entry in the pensionable pay field on their pension details.</p> <p>337 members had a latest salary recorded that was earlier than the latest bulk update by ECC and should be investigated to determine if they are still active members.</p> <p>Annual benefit statements cannot be processed for members with final salary service without a pay recorded and therefore investigation should be made to ensure no members are affected in this way.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Contributions <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	83579 (+1998)	80024 (+1396)	95.7% (-0.63%)	N/A	Fail A: 3299 Fail B: 322	<p>The number of failed tests in this condition has increased by 602 to 3555 representing a decrease in the pass rate of 0.63%.</p> <p>This condition is excluded from the TPR core results.</p> <p>3299 are missing the rolled-up contribution total. The bulk contribution totalling calculation will populate the rolled-up contribution total where contributions exist. 322 members did not have a contribution posting for the latest bulk update by ECC and these should be investigated to determine if they are still active members.</p>
Leavers <u>Eligible for Testing:</u> Status 4, 5, 9 & T	46783 (+1481)	46766 (+1513)	100% (+0.07%)	100% (+0.07%)	Fail A: 17 Fail B: 0 Fail C: 0	<p>The number of members failing tests in this condition has fallen from 49 to 17.</p> <p>17 members have an invalid date of leaving. This test is included in the TPR core results.</p>
Service <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	83579 (+1998)	83393 (+2029)	99.8% (+0.04%)	N/A	Fail A: 186	<p>217 members failed this test in 2019.</p> <p>186 members now have dates on the basic details that suggest a change in circumstances without a service history to detail a change. This test does not count towards the TPR core results.</p> <p>Prioritise the 8 active members before the 2 deferred, 175 pensioners and 1 frozen refund.</p>

2.3 CARE Benefits

2.3.1 Data Results

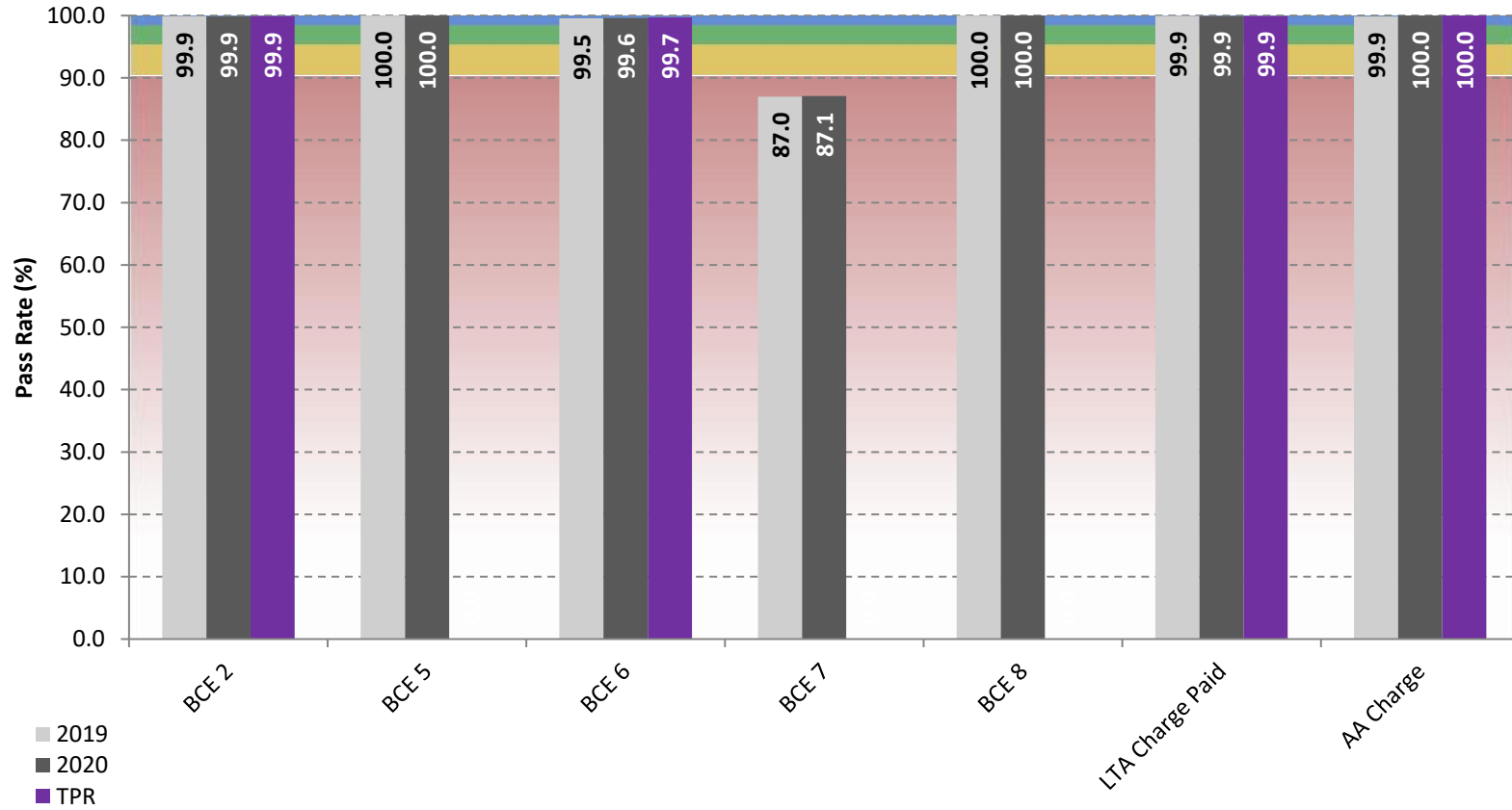


2.3.2 Analysis of Results

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
CARE data <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	49441 (+3471)	48683 (+3453)	98.5% (+0.08%)	98.6% (+0.21%)	Fail A: 72 Fail B: 680 Fail C: 56	<p>The number of failed tests in this condition has increased from 740 to 758, however due to the increase in members qualifying the pass rate has increased by 0.08%.</p> <p>680 members appear to be missing at least one year-end entry of CARE data. Some members failing this test joined the fund in March and may not have been received payment in the scheme year of entry so may be genuine exceptions. This test is included in the TPR core results.</p> <p>There are 72 members without CARE data where some is expected.</p> <p>56 members have a contribution entry recorded for a year in which there are no CARE benefits recorded.</p> <p>This data is crucial to the calculation of member benefits and the employers with missing data should be reminded of the importance of providing this data as soon as possible. Annual Benefits Statements cannot be processed without this information.</p>
CARE Revaluation <u>Eligible for Testing:</u> Revaluation Factor Table	1	1	100% (0%)	100%	None	The revaluation table is present and correct

2.4 HMRC

2.4.1 Data Results



2.4.2 Analysis of Results

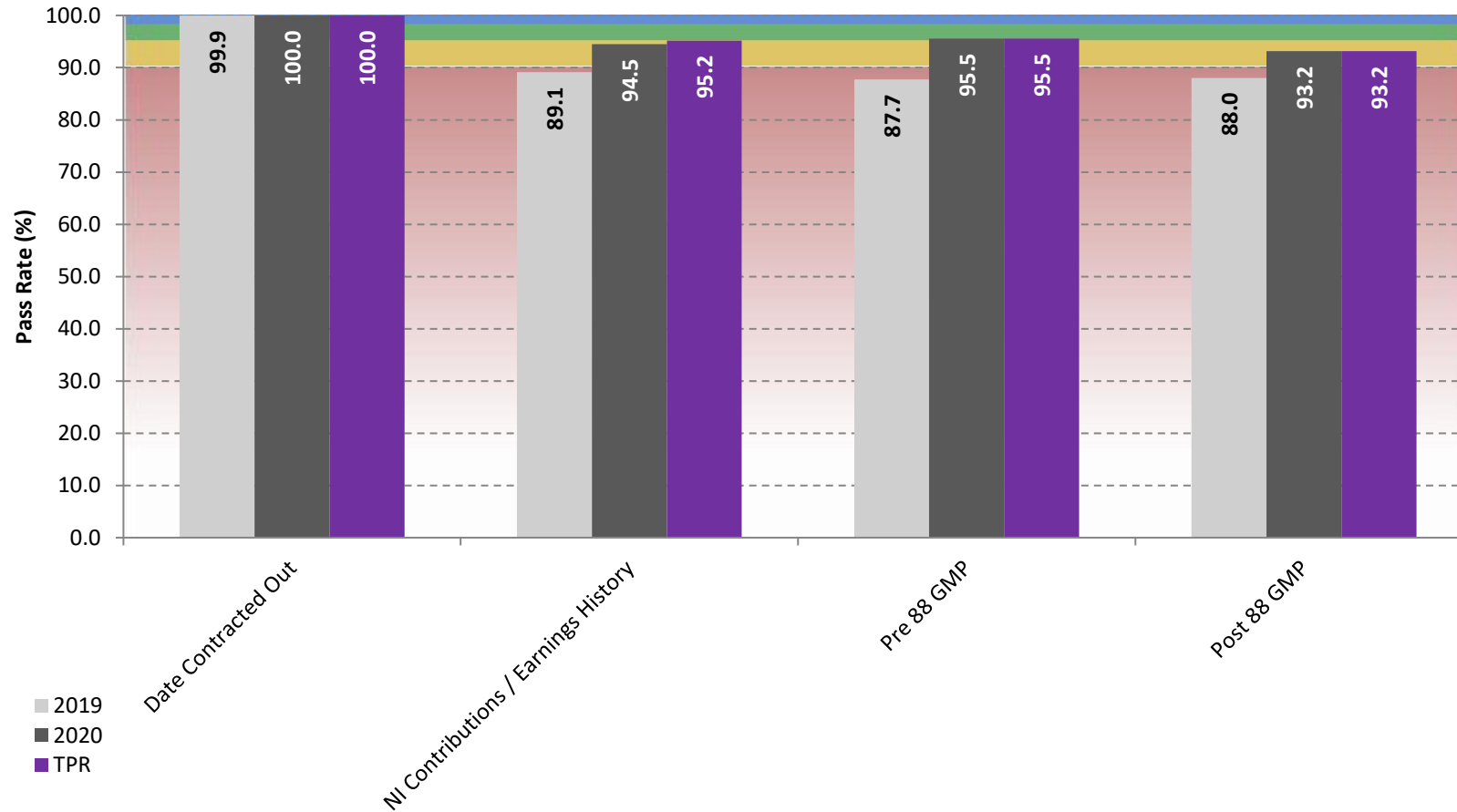
Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
BCE 2 <u>Eligible for Testing:</u> Status 5 & T where Date Retired > 6/4/2006	18432 (+1903)	18409 (+1898)	99.9% (-0.02%)	99.9% (-0.02%)	Fail A: 19 Fail B: 2 Fail C: 4	18 members failed tests in this condition in 2019. There are now 23. 19 members have a crystallisation date that is either invalid or earlier than the date of leaving. 2 other members have a blank PLA value. These tests are included in the TPR core results. 4 members, including the 2 with a missing PLA value have a blank PLA percentage.
BCE 5 <u>Eligible for Testing:</u> Status 4 & T	19177 (+172)	19176 (+172)	100% (0%)	N/A	Fail A: 1	1 member has failed this test for the third consecutive year. 1 member with deferred benefits is over the age of 75.
BCE 6 <u>Eligible for Testing:</u> Status 5 & T members where Date Retired > 6/4/2006 and Age at Date Retired < 75	18420 (+1901)	18346 (+1904)	99.6% (+0.06%)	99.7% (+0.08%)	Fail A: 19 Fail B: 55 Fail C: 0	The number of members failing a test has reduced by 3 to 74 since 2019 resulting in 0.06% increase in the pass rate. 55 members do not have a PCLS recorded despite having a lump sum on the pension details. The reasons for this should be investigated prior to looking at methods for populating the data. This test is included in the TPR core results. There were 63 in 2019. 19 members have a crystallisation date that is either invalid or earlier than the date of leaving. There were 14 in 2019.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
BCE 7 <u>Eligible for Testing:</u> Status 7 members where Date of Death (from Exit Details) is after 6/4/06 and within 5 years of Date Retired	472 (+42)	411 (+37)	87.1% (+0.1%)	N/A	Fail A: 58 Fail B: 3	56 members failed tests in this condition in 2019. There are now 61, although the pass rate has increased due to an increase in the number of members tested. This condition is excluded from the TPR core results. 58 members have a death grant of zero where a value was expected. 3 members have a death grant recorded but has at least one of the crystallised value and percentage missing.
BCE 8 <u>Eligible for Testing:</u> Status 3 members where Date Left is > 6/4/2006 and there is a value in QROPS Transfer Date	21 (0)	21 (0)	100% (0%)	N/A	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0	All members tested passed all tests in this condition for the third consecutive year.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Lifetime Allowance Charge Paid <u>Eligible for Testing:</u> Status 5 & T where Date Retired is after 6/4/2006 (ignoring members where Date, Amount & Indicator) are ticked in either Enhanced Protection or Payment of PCLS Reportable Events (Reportable Events 1 & 2 on Crystallisation screen)	18416 (+1901)	18402 (+1898)	99.9% (-0.01%)	99.9% (-0.01%)	Fail A: 14	11 members failed this test in 2019. 14 members now appear to have exceeded the Lifetime Allowance and do not have a tax charge recorded. This test is included in the TPR core results.
Annual Allowance <u>Eligible for Testing:</u> Status 1 members	34521 (+605)	34515 (+649)	100% (+0.13%)	100% (+0.13%)	Fail A: 4 Fail B: 2	50 members failed tests in this condition in 2019. This has now been reduced to 6. The tests were checking for the PIP ending on 05/04/2019. There are 4 active members without the latest AA data recorded that was processed by ECC and this test is included in the TPR core results. 2 members have inconsistent scheme-pays data recorded and should be corrected as a priority as benefits may be calculated incorrectly.

2.5 Contracting Out

2.5.1 Data Results



2.5.2 Analysis of Results

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Date Contracted Out <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T members	81532 (+474)	81496 (+481)	100% (+0.01%)	100% (+0.01%)	Fail A: 36 Fail B: 0 Fail C: 0	43 members failed tests in this condition in 2019. 36 members now have a blank DCO and joined prior to 6/4/16. 22 are active members, 4 are undecided leavers, 8 are deferred and 2 are pensioners. This test is included in the TPR core results.
NI Contributions / Earnings History <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T members where NI-Table is not E and date contracted out is on or after 6/4/78 AND before 6/4/1997	23096 (-1703)	21829 (-279)	94.5% (+5.37%)	95.2% (+5.36%)	Fail A: 0 Fail B: 179 Fail C: 0 Fail D: 0 Fail E: 1120	The number of members failing tests in this condition has fallen by 1424 to 1267 while 1703 fewer members qualified for the tests. 1120 members have neither a full NI earnings history nor a GMP recorded (failed both C and D simultaneously). These tests are included in the TPR core results. 179 members do not have values that correspond with Period End Dates. If there are GMP details for these members, the data will not be required. This test is excluded from the TPR core results. This data is key for correct assessment and payment of benefits
Pre 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T members where Contract Out SSPA75 is before 6/4/88	11749 (-1385)	11225 (-300)	95.5% (+7.79%)	95.5% (+7.79%)	Fail A: 517 Fail B: 7 Fail C: 0	The number of members failing tests in this condition has fallen by 1085 to 524. The number of members qualifying for these tests has fallen by 1385. 517 members that have left with pre 1988 service are missing a GMP at exit. 7 other members have a Post 88 GMP that is greater than the Total GMP, leaving a negative Pre 88 GMP. These tests are included in the TPR core results.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Post 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T members where Contract Out SSPA75 is before 6/4/97 and Date Left is after 6/5/1988	21629 (-1439)	20149 (-157)	93.2% (+5.13%)	93.2% (+5.13%)	Fail A: 1231 Fail B: 1479 Fail C: 0	<p>The number of members failing tests in this condition has reduced by 1282 to 1480. 1439 fewer members have qualified for the tests.</p> <p>1230 members in this category are missing a value for Total GMP and Post 88 GMP at exit. A further 1 member is just missing a Total GMP while 1479 are just missing a Post 88 GMP at exit. These tests are included in the TPR core results.</p>

3 Data Correction Plan

The table below provides ECC with suggestions for resolving the issues identified in Section 2 and a suggested priority. This table is deliberately high-level as the detail and dates should be agreed once the results have been thoroughly reviewed. The milestones represent a summary of the recommended actions outlined in more detail in Section 2.

Data Category	Milestone	Suggested Priority
Member Benefits	<ul style="list-style-type: none"> • Investigate incomplete Transfer In data with a high priority as benefits may be incorrect • Investigate the 18 cases with missing AVC data • Correct the 202 issues with deferred benefit cases prior to running deferred annual benefit statements • Investigate the 175 defects in pension benefits • Investigate the 27 Dependant Pensioner cases • Investigate all cases where the latest PI does not appear to have been applied 	<ul style="list-style-type: none"> • High • VERY HIGH • High • High • High • VERY HIGH
Other Member Data	<ul style="list-style-type: none"> • Investigate the cases with either an unexplained date of leaving present or a missing date of leaving • Investigate the 1 member missing a date joined employer • Investigate the members with final salary pay issues prior to running annual benefit statements • Investigate cases with missing contributions prior to running annual benefit statements • Investigate the 17 members with liability missing a date of leaving • Investigate the 186 members seemingly missing a service history. Prioritise the 8 active members. 	<ul style="list-style-type: none"> • Low • VERY HIGH • High • High • High • High

Data Category	Milestone	Suggested Priority
CARE Data	<ul style="list-style-type: none"> Investigate all data issues in this category by status prior to issuing annual benefit statements for that status. Pensioners should be investigated as soon as possible to ensure correct benefits are in payment 	<ul style="list-style-type: none"> High
HMRC	<ul style="list-style-type: none"> Review criteria for testing HMRC data and ensure that current processes populate this data correctly in Altair Investigate the 19 incorrect Crystallisation Dates Investigate the 4 PLA discrepancies Investigate the 1 deferred member over the age of 75 Investigate the 55 missing PCLS amounts Investigate the 61 cases with missing death grant data Investigate the 14 members that have exceeded the LTA without a tax charge recorded Investigate the 6 cases with missing Annual Allowance data, particularly the 2 scheme-pays cases 	<ul style="list-style-type: none"> Medium Medium Medium Medium Medium Low High High
Contracting Out	<ul style="list-style-type: none"> Investigate the 36 cases with incorrect Date Contracted Out data Investigate missing and incorrect data for NI contributions and earnings history Review and update GMP values in conjunction with the GMP Reconciliation process Obtain and upload GMP figures for the members with missing data as a high priority 	<ul style="list-style-type: none"> Medium Medium Medium High

4 Appendices

4.1 Appendix A – TPR Guidance (In-Scope Tests)

Member Benefits

Condition	Status Tested	TPR Guidance
Pension Sharing Details	Active, Deferred, Pensioner	If a member has had a pension sharing order, check that full details of the benefits transferred to the ex-spouse/ex-civil partner are present.
Transfer In Details	Active, Deferred, Pensioner	If benefits have been transferred in, check that all relevant details are recorded. This will include (as a minimum) the details of the previous scheme, the amount of the transfer value (split between protected rights and non protected rights and, if relevant, split between the amount received in respect of the member and employer contributions and AVCs), benefits secured, (if relevant) contracting out details.
AVC Details	Active, Deferred, Pensioner	Check that there is a history of any AVCs paid, type of investment, current provider, and (if relevant) benefits being secured
Total Original Deferred Benefit	Deferred	Check that total original deferred benefit is present (either derived or explicit).
Tranches of Original Deferred Benefit	Deferred	Check that there is a breakdown of the various tranches of the total deferred benefit. This must identify tranches with different rates of increases either in deferment or in payment, and tranches with different contingent spouse's/civil partner's benefits. Likely to include such items as pre/post 1997 splits, pre/post 2005 splits, Barber splits, VFM underpin etc. Details of the date at that any tranche is payable, if different from the scheme's normal retirement date, will also be required. The sum of the individual components must equal any total deferred pension that is recorded on the system.
Total Gross Pension	Pensioner	Check that a total pension is present (either derived or explicit).

Condition	Status Tested	TPR Guidance
Tranches of Pension	Pensioner	Check that there is a breakdown of the various tranches of the total pension, identifying tranches with different rates of increase and contingent spouse's/civil partner's benefits. The sum of the individual components must equal any total pension that is recorded on the system.

Other Member Data

Condition	Status Tested	TPR Guidance
Date of Leaving	Deferred, Pensioner	For trust-based schemes, check that member has a date of leaving that is after date joined
Date Joined Scheme	Active, Deferred	Check that the date joined scheme is present, later than date of birth, and not earlier than date joined company. False dates should be classed as missing data.
Date joined employing company	Active, Deferred	For members of multi-employer schemes check that date joined employing company is present and is later than date of birth. False dates should be classed as missing data.
Salary	Active, Deferred	Check that there is at least one relevant salary within the last 12 months of membership.
Salary History	Active, Deferred	Check that a relevant salary exists for each of the last 5 renewal periods of membership and is greater than £0.50.
Contributions	Pensioner	For contributory schemes check that there is a contribution amount present for each year of active membership, or that a contribution total is present.
Date of leaving (date pensionable service ended)/ date last premium/contribution paid	Deferred, Pensioner	For trust-based schemes check that member has a date of leaving which is after date joined scheme, and that member status is not active if date of leaving is present.

CARE Data

Condition	Status Tested	TPR Guidance
Accrued benefit details	Active, Deferred, Pensioner	Check that accrued benefit details are present if they are updated and recorded annually. If benefits are calculated from first principles when member leaves, all relevant salary & contribution will be required instead.
Revaluation percentage	Global Table	Check that there is a history of revaluation percentage for the accrued pension for each relevant year, if benefits have not been not uprated and recorded annually.

HMRC

Condition	Status Tested	TPR Guidance
Benefit Crystallisation Event Details	Active, Deferred, Pensioner	Check that full details of the dates and amounts paid at each benefit crystallisation event, including details of LTA percentage used, are present.
Lifetime Allowance Charge Paid	Pensioner	Check that the date and amount of any lifetime allowance charge paid is present.

Contracting Out

Condition	Status Tested	TPR Guidance
Date Contracted Out	Active, Deferred, Pensioner	Check that this is present and not earlier than 06/04/1978.
N.I. History (Contracted Out earnings & contributions)	Active, Deferred, Pensioner	Check that members have a full contracted-out history during any period contracted out on a GMP basis. A verified GMP, agreed with NISPI, would be an acceptable alternative. Not required for reduced rate females.
Pre 88 GMP	Deferred, Pensioner	Check that a member with at least one month of pre 4/88 contracted out service has a pre 88 GMP. GMP must be divisible by 52. May be derived if total GMP and post 4/88 GMP are recorded.
Post 88 GMP	Deferred, Pensioner	Check that a member with at least one month of post 4/88 service contracted out on a GMP basis has a post 88 GMP. Can be derived or explicit.

4.2 Appendix B – Benefit Crystallisation Events (In-Scope)

Benefit Crystallisation Event	Description
BCE2	Where a member becomes entitled to a scheme pension, whether from a defined benefits arrangement or a money purchase arrangement.
BCE5	Test the level of entitlements not taken by a member at age 75 under a defined benefits arrangement, by measure of the level of benefits that would come into payment at that time, if drawn.
BCE6	<p>A lifetime allowance test is triggered through BCE6 whenever a member becomes entitled under a registered pension scheme to:</p> <ul style="list-style-type: none"> • A pension commencement lump sum paid before age 75, when uncrystallised benefits are drawn under an arrangement • A serious ill health lump sum paid before age 75, where the individual falls into serious ill health • A lifetime allowance excess lump sum where a chargeable amount has been identified because the individual’s lifetime allowance has been fully used up.
BCE7	Where a relevant lump sum death benefit is paid on the death of the member.
BCE8	Where a member’s benefits or rights are transferred to a qualifying recognised overseas pension scheme.

4.3 Appendix C – Conditions and Fail Criteria

Member Benefits

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Divorce Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where Calculation Date (DVC-CALDTE) has a value	Value is missing in total pension debit (DVC-TOTINI)	Value prior to 01/12/2000 is present in calculation date (DVC-CALDTE)	Value prior to 01/12/2000 is present in Payment Date (DVC-PAYDTE)	CETV (DVC-TVAMT) is blank or 0	Pension debit (DVC-CONAMT) is blank or 0	Percentage split (DVC-PCSPLT) is blank, 0 or over 100
Tested: 107	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0	Failed: 0
Transfer In Details 1 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	Date received (ADD-TV-DT) is blank or 0 Only Actives (1) and deferred (2) are counted for the TPR results	Transfer Value is blank or 0 (ADD-TV) Only Actives (1) and deferred (2) are counted for the TPR results	Service (ADD-BD-CR) and transferred pension (ADD-RETP) are both blank or 0 Test is excluded from the TPR results	If service (ADD-BS-CR) > 0, service history must be present. There must be a service history line that starts (HIST-START) on the same date as previous scheme from ADD-FROM) Test is excluded from the TPR results	Type (ADD-TYPE) is not valid ie CLUB, INTERFND, NON CLUB, PERSONAL, RESTITUTIO or some have INTRAFND Test is excluded from the TPR results	Date TV Received is invalid or < date joined fund (DJF) Test is excluded from the TPR results
Tested: 10600	Failed: 42	Failed: 3	Failed: 604	Failed: 684	Failed: 143	Failed: 54
Transfer In Details 2 <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where transfer In details exist	Previous scheme name (ADD-PR-SCH) or employer reference (ADD-PR-EMP) must be present Test is excluded from the TPR results					
Tested: 10600	Failed: 76					

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
AVC Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where AVC details exist	If AVC Details present then start date (AVC-START) must be present Pensioners are excluded from the TPR results	If AVC Details present then contract end date (AVC-TE-DUE) must be present and equal to or later than AVC-START Test is excluded from the TPR results	If AVC Details present and type (AVC-TYPE) is A, B, G, L, P, R, S then added years (AVC-ADDY) must be greater than 0 Pensioners are excluded from the TPR results	If AVC Details present and type (AVC-TYPE) is H, M then pension (AVC-P75T) must be greater than 0 and less than or equal to the scheme maximum Pensioners are excluded from the TPR results		
Tested: 4031	Failed: 16	Failed: 16	Failed: 1	Failed: 1		
Total Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	No value in Initial Pension (DEF-TOT-IP)	The value in Initial Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	No value in total current pension (DEF-TOT-CP)	The value in total current Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	PI date (DEF-INC-DT) must be present and later than date joined fund (DJF)	Last PI date (DEF-PI-DT[1]) is earlier than last PI date processed by customer Test is excluded from the TPR results
Tested: 19177	Failed: 1	Failed: 2	Failed: 1	Failed: 1	Failed: 2	Failed: 20
Tranches of Original Deferred Benefit <u>Eligible for Testing:</u> Status 4	Member has no 'PEN' tranche (DEF-TYPE) or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer. (including negative values)	'PEN' + 'UPEN' + 'TAPE' does not equal Total Initial Pension Test is excluded from the TPR results	Member with service between 01/04/2008 (09 S&NI) and 31/03/2014 (15 S&NI) has no 'PN60' tranche or has one with a value less than a small figure (default of £1.00) agreed with customer	Member with post 31/03/2014 (15 S&NI) service has no 'CARE' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Member with CARE5050 or TVINLG50 CARE data has no 'CP50' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	Member with pre 01/04/2008 (09 S&NI) service has no 'RA' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results
Tested: 19177	Failed: 2	Failed: 15	Failed: 85	Failed: 60	Failed: 0	Failed: 20

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Total Gross Pension <u>Eligible for Testing:</u> Status 5 & T	No value in Initial Pension (PEN-TOT-IP)	The value in Initial Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	No value in total current pension (PEN-TOT-C)	The value in total current Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	PI date (PEN-INC-DT) must be present and later than DJF	
Tested: 27064	Failed: 1	Failed: 0	Failed: 1	Failed: 0	Failed: 13	
Tranches of Pension <u>Eligible for Testing:</u> Status 5 & T	'PEN' tranche (PEN-TYPE) has a value less than or equal to a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	Member with service between 01/04/2008 (09 S&NI) and 31/03/2014 (15 S&NI) has no 'PN60' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Member with post 31/03/2014 (15 S&NI) service has no 'CARE' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Member with CARE5050 or TVINLG50 CARE data has no 'CP50' tranche or has one with a value less than or equal to a small figure (default of £1.00) agreed with customer	Last PI date (PEN-PI-DT[1]) is earlier than last PI date processed by customer	The first pension component on the list must be either 'PEN' or 'GMP' Test is excluded from the TPR results
Tested: 27064	Failed: 0	Failed: 1	Failed: 5	Failed: 0	Failed: 52	Failed: 106
Total Gross Dependant Pension <u>Eligible for Testing:</u> Status 6	No value in Initial Pension (DEP-TOT-IP)	The value in Initial Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	No value in total current pension (DEP-TOT-C)	The value in total current Pension is between £0.01 and a small figure (default of £1.00) agreed with customer Test is excluded from the TPR results	PI date (DEP-INC-DT) must be present	
Tested: 4167	Failed: 2	Failed: 0	Failed: 2	Failed: 0	Failed: 3	

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Tranches of Dependant Pension <u>Eligible for Testing:</u> Status 6	'PEN' tranche (DEP-TYPE) has a value less than or equal to a small figure (default of £1.00) agreed with customer	Last PI date (DEP-PI-DT) is earlier than last PI date processed by customer Test is excluded from the TPR results				
Tested: 4167	Failed: 1	Failed: 22				

Other Member Details

Pension Credit members are excluded from tests in this category.

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Date of Leaving <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T	A non-Status 1 member has a blank entry or an invalid date in Date Left (DATE-LEFT)	Date Joined Fund (DJF) is either blank or earlier than or equal to 1/1/1900	Date Joined Fund is later than or equal to Date Left if Date Left present	Date left is present for a status 1 member who does not have a previous status of 4 or 9 Test is excluded from the TPR results		
Tested: 83579	Failed: 138	Failed: 0	Failed: 5	Failed: 231		
Date Joined Scheme <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	Any of Date Joined Scheme (DJF), Date of Birth (DOB) and/or Date commenced current service (DCCPS) Joined Fund are either blank or earlier than or equal to 1/1/1900	Date Joined Fund (DJF) is earlier or equal to Date of Birth (DOB) plus 15 years Test is excluded from the TPR results				
Tested: 83579	Failed: 0	Failed: 0				
Employer Details <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	Location (LOCATION) is blank	Date Joined employer (DT-JOIN-EM) is either blank or earlier than or equal to 1/1/1900	Date Joined employer must be earlier than date of birth (DOB) plus 15 years Test is excluded from the TPR results	Employment type (CLASS) is blank Test is excluded from the TPR results		
Tested: 83579	Failed: 0	Failed: 1	Failed: 0	Failed: 0		

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Salary (Final Salary members) <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	A member with pre-01/04/2014 (2015 in S&NI) service has an invalid or blank date in the latest instance of Pensionable remuneration (PEN-REM)	For non-status 1 or 2 members, the latest instance of Pensionable remuneration does not equal the member's DATE-LEFT <i>Test is excluded from the TPR results</i>	The latest instance of Pensionable remuneration contains a valid date (PEN-REM-DT) but there is no corresponding amount <i>Test is excluded from the TPR results</i>	Status 4 member does not have a value in DEF-PENREM or a value less than a small figure (default of £1.00) agreed with customer <i>Test is excluded from the TPR results</i>	Status 5 or T member does not have a value in PEN-PS-REM or a value less than a small figure (default of £1.00) agreed with customer <i>Test is excluded from the TPR results</i>	For status 1 members the latest pensionable remuneration date must be equal to or later than the customer's last posting date <i>Test is excluded from the TPR results</i>
Tested: 79131	Failed: 364	Failed: 0	Failed: 0	Failed: 5	Failed: 1	Failed: 337
Contributions <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	Total Paid Including Interest (TCI-TOTAL) is blank or less than a small figure (default of £1.00) agreed with customer <i>Test is excluded from the TPR results</i>	For status 1 members the latest date must be equal to or later than the customer's last posting date and have a corresponding figure <i>Test is excluded from the TPR results</i>				
Tested: 83579	Failed: 3299	Failed: 322				
Leavers <u>Eligible for Testing:</u> Status 4, 5, 9 & T	Date Left (DATE-LEFT) is either blank or is earlier than or equal to 1/1/1900	Date Joined Scheme (DJF) is either blank or is earlier than or equal to 1/1/1900				
Tested: 46783	Failed: 17	Failed: 0	Failed: 0			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Service <u>Eligible for Testing:</u> Status 1, 2, 4, 5, 9 & T	If DCCPS > DJF, and DJF < 01/04/2014(15 S&NI)), service history must be present Test is excluded from the TPR results					
Tested: 83579	Failed: 186					

CARE Benefits

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
CARE data <u>Eligible for Testing:</u> All status 1 and status 2, 4, 5, 9 & T where Date Left is after 31/03/14 (31/03/15 in S&NI)	If member has post-31/03/2014 (2015 in S&NI) service then at least one of LGPSMAIN or LGPS5050 must be present if the member joined before the start of the current scheme year Test is excluded from the TPR results	Every 31/03 from later of DJF or 2015 (2016 in S&NI) to earlier of date-left or current date must be present as an end date on at least one of LGPSMAIN, LGPS5050, TVINLGMN or TVINLG50	If contributions at any 31/03 from later of DJF or 2015 (2016 in S&NI) to earlier of date-left or current date are > 0, there must be an entry on at least one of LGPSMAIN or LGPS5050 for the same date with a pay figure > 0 Test is excluded from the TPR results			
Tested: 49441	Failed: 72	Failed: 680	Failed: 56			
CARE revaluation <u>Eligible for Testing:</u> Revaluation Factor Table	Every 31/03 from 2015 (2016 in S&NI) to date must be present on factor table 000/B/00/684/2014/0101 2012	The rates on the table do not match the record of HM treasury rates Test is excluded from the TPR results				
	Failed: 0	Failed: 0				

HMRC

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
<p>BCE 2</p> <p><u>Eligible for Testing:</u> Status 5 & T where Date Retired > 6/4/2006</p>	Crystallisation Date (CRYS-CRYSYS) is not a valid date or is earlier than date left	PLA Value (CRYS-PLA) is blank	PLA% (CRYS-PLAPC) is blank Test is excluded from the TPR results			
Tested: 18432	Failed: 19	Failed: 2	Failed: 4			
<p>BCE 5</p> <p><u>Eligible for Testing:</u> Status 4 & T</p>	Any member of these deferred statuses where the member is over the age of 75 Test is excluded from the TPR results					
Tested: 19177	Failed: 1					
<p>BCE 6</p> <p><u>Eligible for Testing:</u> Status 5 & T where Date Retired > 6/4/2006 and Age at Date Retired < 75</p>	Crystallisation Date is not a valid date (CRYS-PPD) or is earlier than date left Test is excluded from the TPR results as they are included in BCE2	PCLS amount (CRYS-PPA) is blank if PEN-TOT-AL is > zero	There is a date in Serious Ill Health Lump Sum Payment (CRYS-ILLD) but no corresponding amount (CRYS-ILLA) OR There is an amount in Serious Ill Health Lump Payment but no corresponding date Test is excluded from the TPR results			
Tested: 18420	Failed: 19	Failed: 55	Failed: 0			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
BCE 7 <u>Eligible for Testing:</u> Status 7 where Date of Death (from Exit Details) is after 6/4/06 and within 5 years of Date Retired	Total death grant (CDTC-TOTLS) is blank (To be checked in first run and removed if deemed not relevant.) Test is excluded from the TPR results	There is a value >0 in Total death grant but one or more of the following fields is blank or 0: Crystallised Value at Date of Death (CDTC-CVAL) Crystallised % Value at Date of Death (CDTV-CVALP) Test is excluded from the TPR results				
Tested: 472	Failed: 58	Failed: 3				
BCE 8 <u>Eligible for Testing:</u> Status 3 where Date Left is > 6/4/2006 and there is a value in QROPS Transfer Date	QROPS Transfer Date (CRYS-TFRD) is not a valid date or is earlier than date left Test is excluded from the TPR results	QROPS Transfer Amount (CRYS-TFRA) is blank Test is excluded from the TPR results	Date of Birth (DOB) is not a valid date Test is excluded from the TPR results	Age at QROPS Transfer Date is over 75 Test is excluded from the TPR results		
Tested: 21	Failed: 0	Failed: 0	Failed: 0	Failed: 0		

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
<p>Lifetime Allowance Charge paid</p> <p><u>Eligible for Testing:</u> Status 5 & T where Date Retired is after 6/4/2006 (ignoring members where Date, Amount & Indicator) are ticked in either Enhanced Protection or Payment of PCLS Reportable Events (Reportable Events 1 & 2 on Crystallisation screen)</p>	<p>Value in Used PLA% (CRYS-TPPC) is greater than 100% and there is no value in any of LTA Charge (CRYS-LTACH), 25% LTA Charge (CRYS-LTA25) or 55% LTA Charge (CRYS-LTA55)</p>					
<p>Tested: 18416</p>	<p>Failed: 14</p>					
<p>Annual Allowance</p> <p><u>Eligible for Testing:</u> Status 1</p>	<p>Latest annual allowance PIP end date is earlier than the latest run by the customer</p>					
<p>Tested: 34521</p>	<p>Failed: 4</p>	<p>Failed: 2</p>				

Contracting Out

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F		
Date Contracted Out <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T	Contract-Out SSPA75 is blank and DJF is prior to 6/4/16	Contract-Out SSPA75 is prior to 6/4/78	The date in Contract-Out SSPA75 is later than 5/4/16					
Tested: 81532	Failed: 36	Failed: 0	Failed: 0					
NI Contributions/Earnings History <u>Eligible for Testing:</u> Status 1, 2, 4, 5 & T where NI-Table is not E and date contracted out is on or after 6/4/78 AND before 6/4/1997	A Status 4 member is missing Date Left Active Service or a Status 5 member is missing both Date Left Active Service and Date of Retirement	For one or more of the Period End Dates, there is not a corresponding value in Amount Test is excluded from the TPR results	There is not a separate entry in Period End Date (NI) for each April 5th between Date Contracted Out and 5/4/97 (or Date Left/Date Ret if earlier for Status 4 & 5 respectively) (non-reportable – see fail E)				GMP is not present on the NI details for status 1 and 2 and on GMP details for status 4, 5 & T (non-reportable – see fail E)	Fail C and Fail D both occurred
Tested: 23096	Failed: 0	Failed: 179	Failed: 0				Failed: 0	Failed: 1120
Pre 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T where Contract Out SSPA75 is before 6/4/88	There is no value provided for total GMP at exit	Deducting Post 88 GMP at Exit from Total GMP at Exit results in a negative number	The result of deducting Post 88 GMP at Exit from Total GMP at Exit is not divisible by 52.					
Tested: 11749	Failed: 517	Failed: 7	Failed: 0					

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Post 88 GMP <u>Eligible for Testing:</u> Status 4, 5 & T where Contract Out SSPA75 is before 6/4/97 and Date Left is after 6/5/1988	There is no value provided for total GMP at exit	There is no value provided for Post 88 GMP at Exit	Post 88 GMP at Exit is not divisible by 52			
Tested: 21629	Failed: 1231	Failed: 1479	Failed: 0			





Aquila Heywood

Local Government Pension Scheme Common Data Quality Report Lothian Pension Fund



September 2020

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1 Executive Summary

1.1 Introduction

In 2015, the Pensions Regulator (TPR) assumed responsibility for Public Sector Pension Schemes. Prior to this, in June 2010, TPR issued guidance on the approach that they consider to be good practice for measuring the presence of member data. Specific targets were set for data TPR deemed as 'common' and Aquila Heywood has assisted customers in the collection and qualification of this data.

To assist customers in undertaking a practical assessment of their common data, Aquila Heywood offers a Data Quality service.

1.2 Data Quality Service

Working with the Edinburgh City Council (ECC), Aquila Heywood has completed a review of Lothian Pension Fund's (Lothian) common pension data in line with the guidance notes set down by TPR. Aquila Heywood's understanding of the Local Government Pension Scheme data, benefit calculations, interfaces and processes, has assisted in the agreement of which items to test. The tests to satisfy each condition have been run and the results quantified to provide guidance on any corrective action required.

The service incorporates data items tested against the data conditions agreed with ECC. To provide focus on the key areas of common data to be addressed, each data category is measured against an agreed benchmark.

In 2019, a set of "core" tests were identified for reporting to TPR. The results to be quoted to TPR are quoted separately from the overall test scores. For details of where the TPR tests differ from the overall tests, please refer to appendix B.

1.3 Benchmark

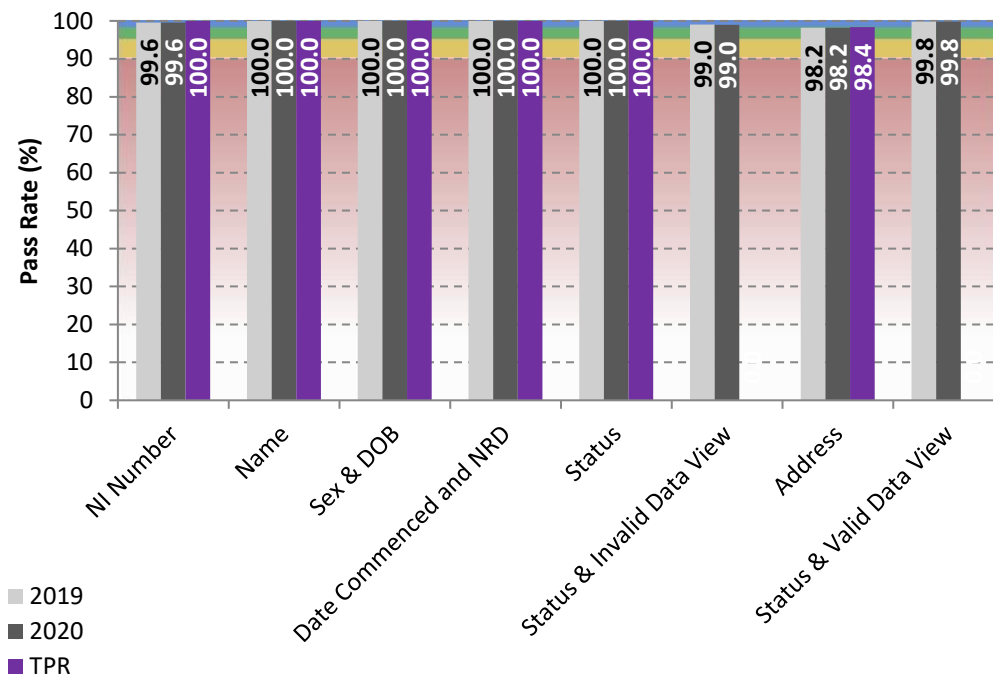
The benchmarks applied to the results presented in this report were agreed between ECC and Aquila Heywood. The categories and thresholds are as follows:

Category	Pass Threshold
Blue	Pass rate \geq 98%
Green	95% \leq Pass rate $<$ 98%
Amber	90% \leq Pass rate $<$ 95%
Red	Pass rate $<$ 90%

These benchmarks are illustrated in the background of the results graphs. TPR have set targets of 100% accuracy for data created after June 2010 and 95% accuracy for data created beforehand. The Aquila Heywood data quality service measures data as a whole as updates for many members are continuous and alter the last updated date on the system.

1.4 Summary of Common Data Results

The graph below indicates Lothian’s performance for each data category against the agreed scheme benchmarks together with the results from the 2019 tests. The results presented herein are generated from data extracted from ECC’s Live Altair service on 1st September 2020 for all tests. The 2019 tests were generated from data extracted on 13th August 2019. The overall percentage of tests passed for Lothian’s common data is **99.6%** which is the same score achieved in 2019. The 2020 tests were conducted on 152,394 member records, an increase of 5,802 on 2019.

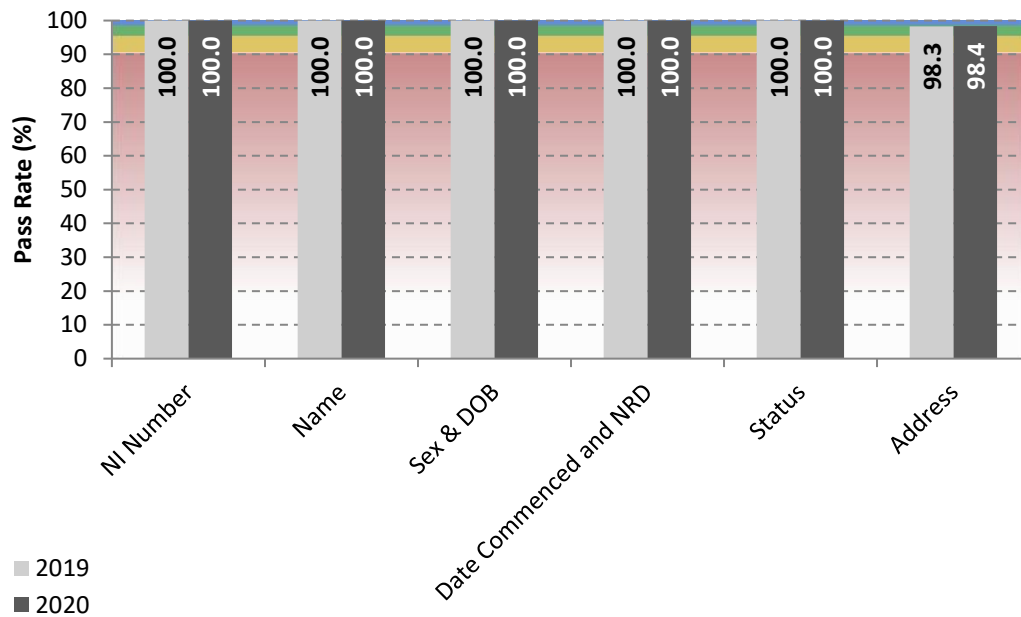


All eight categories met the highest benchmark of greater than 98% with two categories not recording a single failure. The lowest scoring category concerned member **Address** that achieved a score of **98.2%** which is the same score achieved in 2019. This was the only category to score below 99%. The general quality of the common data tested at ECC is of a high standard.

The percentage of member records without a single common data failure is **96.6%**. This is the same score achieved in 2019.

1.5 TPR Common Data Core Test Results

The percentage of member records that did not fail any of the tests deemed to be in the core list of TPR tests is **98.3%**, which is the same score achieved in 2019. This is the figure to be quoted on the scheme return to TPR. The core test scores for each category are shown below.



Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Sex and Date of Birth <u>Eligible for Testing:</u> All members (Leavers and deaths excluded from test D)	152394 (+5802)	152394 (+5802)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0 Fail D: 0	All member records have valid sex and date of birth fields recorded for the third consecutive year.
Date commenced and NRD <u>Eligible for Testing:</u> All members	152394 (+5802)	152378 (+5798)	100% (0%)	100% (0%)	Fail A: 14 Fail B: 2	<p>The number of members failing tests in this condition has been increased from 12 to 16.</p> <p>14 members are missing a date joined fund. This test is included in the TPR core results. 12 are leavers and 2 are deceased.</p> <p>2 members, 1 leaver and 1 deceased have a date joined fund prior to their 15th birthday. This test is not included in the TPR core results.</p>
Status <u>Eligible for Testing:</u> All members	152394 (+5802)	152394 (+5802)	100% (0%)	100% (0%)	Fail A: 0 Fail B: 0 Fail C: 0	All member records have a valid and consistent status recorded for the third consecutive year.

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
<p>Status and invalid data view</p> <p><u>Eligible for Testing:</u></p> <p>All members</p>	152394 (+5802)	150837 (+5669)	99% (-0.05%)	N/A	Fail A: 501 Fail B: 744 Fail C: 230 Fail D: 85	<p>The number of members failing a test has increased by 133 to 1557 resulting in 0.05% decrease in the pass rate since 2019. This condition does not count towards the core results.</p> <p>501 members have an 'Exit' data view which is not in line with their status history. 744 members have an unexpected 'deferred' data view having never been deferred on their status history. 230 members have an unexpected 'pensions' data view and 85 members have a 'dependants' data view which is not in line with their status history. All have tests have seen an increase in the number of fails since 2019.</p> <p>1557 members in total have data views that are not expected for their status history:</p> <ul style="list-style-type: none"> - 703 leavers and 161 deceased, that may be dealt with as a lower priority; - 130 are active members; - 71 are undecided leavers; - 96 are deferred pensioners; - 349 are pensioners; - 6 are dependants; - 1 is awaiting entry and 11 are optants out who would not be expected to have any data of this type; - 29 are aggregated records. <p>3 members, 1 active and 1 pensioner and <u>1</u> aggregated record have more than 1 unexpected data view.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
Address <u>Eligible for Testing:</u> All members except leavers and deaths (status 3 and 7)	152394 (+5802)	149695 (+5739)	98.2% (+0.03%)	98.4% (+0.08%)	Fail A: 87 Fail B: 22 Fail C: 2395 Fail D: 6 Fail E: 193	<p>The number of members failing a test has increased by 63 to 2699 since 2019, however due to an increase in the number of qualifying members the pass rate has increased by 0.03%.</p> <p>87 members have no address recorded and a further 22 members have an address record but the 1st line is blank.</p> <p>2395 members are recorded as “gone away”. 6 members have no Postcode recorded.</p> <p>A further 193 postcodes are in an incorrect format. The postcode format is the only test here that does not count towards the core tests.</p> <p>2 members missing a postcode and a further 2 members with an incorrect postcode are also recorded as “gone away”.</p> <p>Some of the remaining members may be overseas without having the overseas indicator set.</p>

Condition	Qualifying Members		Pass Rate		Areas for Review	Comments
	Tested (change)	Passed (change)	Overall (change)	TPR		
<p>Status and valid data view</p> <p><u>Eligible for Testing:</u> Members with deferred benefits or benefits in payment (Status 4, 5, 6, 7 and 9)</p>	152394 (+5802)	152051 (+5735)	99.8% (-0.04%)	N/A	Fail A: 0 Fail B: 1 Fail C: 1 Fail D: 48 Fail E: 252 Fail F: 41	<p>The number of members failing a test has increased by 67 to 343 since 2019, resulting in 0.04% decrease in the pass rate. This category does not count towards the core tests.</p> <p>1 pensioner member is missing pension details and similarly 1 dependant members is missing dependant details. These should be investigated immediately to ensure correct benefits are being paid.</p> <p>48 deceased cases from active or deferred status are missing exit details where death grant details are recorded. 3 were active and 45 were deferred.</p> <p>252 deceased members who were pensioners and 41 deceased members who were dependants do not have a date recorded for when the pension ceased.</p>

3 Data Correction Plan

The table below provides ECC with suggestions for resolving the issues identified. This table is deliberately high-level as the detail and dates should be agreed once the results have been thoroughly reviewed. This table represents a summary of the recommended actions outlined in Section 2.

Data Category	Recommendation	Suggested Priority
NI Number	<ul style="list-style-type: none"> Obtain correct NI numbers for the members with temporary numbers or those in the incorrect format. Prioritise the 67 members that are neither leavers, deceased or optant out. 	<ul style="list-style-type: none"> Low
Name	<ul style="list-style-type: none"> Obtain the 5 missing forenames and initials 	<ul style="list-style-type: none"> Low
Sex and Date of Birth	<ul style="list-style-type: none"> No issues found 	
Date commenced and NRD	<ul style="list-style-type: none"> Correct the date joined fund for the 16 members 	<ul style="list-style-type: none"> Low
Status	<ul style="list-style-type: none"> No issues found 	
Status and invalid data view	<ul style="list-style-type: none"> Invalid data should be removed where necessary or the member status history corrected where appropriate. These cases should be treated as a high priority where the member is not a leaver or deceased as the presence of the data may affect benefits 	<ul style="list-style-type: none"> High
Address	<ul style="list-style-type: none"> Current addresses should be sought and uploaded for the members that failed this category 	<ul style="list-style-type: none"> Medium

Data Category	Recommendation	Suggested Priority
Status and valid data view	<ul style="list-style-type: none"> • Correct the 1 pensioner missing pension details data view to ensure correct benefits are being paid • Correct the 1 dependant missing dependant details data view to ensure correct benefits are being paid • The 48 deaths from active and deferred status may be missing death grant data and should be investigated • The 252 pensioner and 41 dependant deaths with missing cease dates should be investigated and corrected 	<ul style="list-style-type: none"> • VERY HIGH • VERY HIGH • Low • Low

4 Appendices

4.1 Appendix A – TPR Guidance

Data Field	TPR Comment
National Insurance Number	'TN' formats should be regarded as missing data. The final character of NI numbers is not essential.
Surname	Check that surname is present.
Forename(s) or initials	Forenames are preferable but initials are an acceptable alternative.
Sex	Check that sex is present.
Date of birth	Check that date of birth is present and consistent (earlier than date joined scheme, retirement, date of leaving). False dates should be classed as missing data.
Date pensionable service started/policy start date/first contribution date	For trust-based schemes this will be date pensionable service started. For contract-based schemes this will effective start date of the policy or the first contribution date, depending on the provider's requirements.
Expected retirement/maturity date (target retirement age)	This field may be derived or explicit; for most DB schemes it will probably be derived as the scheme's normal retirement date. Need to check that it is populated if that is a scheme/system requirement, that it is consistent with scheme rules and statutory requirements, and is later than date of birth and pensionable service date/first contribution date.
Membership status	Check that a current valid status is recorded for each member. This may be a dual status, eg active or deferred member with partial retirement. For contract-based schemes this may be 'active' or 'inactive'.
Last status event	Check that benefits taken are consistent with status, and, if status history is recorded, that the latest status is the same as the explicitly recorded current status.

Data Field	TPR Comment
Address	An address should be present for all members of all schemes. Because of DPA requirements an exception is permissible for active members of those trust-based schemes in which communication with members is normally sent via the employer. 'Gone away', 'unknown' or similar should be treated as missing data.
Postcode	Check that a postcode is present if address is not identifiable as being overseas. Will assist with valuations for actives, for whom storing full address may breach DPA principles.

4.2 Appendix B – Common Data and Fail Criteria

Common Data

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
<p>NI Number</p> <p><u>Eligible for Testing:</u> All members</p>	NI Number (NI-NUMBER) is blank	<p>NI number is temporary (commences TN) and is not a child pension (DEPND-TYPE = 'C')</p> <p>Leavers (3) and deaths (7) are excluded from the TPR results</p>	<p>NI number does not adhere to standard (Neither of the first two letters can be D, F, I, Q, U or V. The second letter cannot be O. Prefixes BG, GB, KN, NK, NT, TN (checked in fail B) and ZZ are not used. Suffix must be A, BA, B, C or D. Characters 3-8 must be numbers)</p> <p>Test is excluded from the TPR results</p>			
Tested: 152394	Failed: 0	Failed: 630	Failed: 21			
<p>Name</p> <p><u>Eligible for Testing:</u> All members</p>	Surname (SURNAME) is blank	Forenames (FORENAMES) is blank	<p>Initials (INITIALS) is blank</p> <p>Test is excluded from the TPR results</p>			
Tested: 152394	Failed: 0	Failed: 5	Failed: 5			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
Sex and Date of Birth <u>Eligible for Testing:</u> All members *	Sex (SEX) is blank	Sex is not Male or Female	Date of Birth (DOB) is blank	Date of Birth is earlier than or equal to 01 to <u>01</u> /01/1900 (* Leavers and deaths excluded from this test) (Status 3 and 7)		
Tested: 152394	Failed: 0	Failed: 0	Failed: 0	Failed: 0		
Date commenced and NRD <u>Eligible for Testing:</u> All members	Date Joined fund (DJF) is blank	Date Joined Fund is earlier than Date of Birth plus 15 years Test is excluded from the TPR results	NRD checks are not required as these are always calculated			
Tested: 152394	Failed: 14	Failed: 2				
Status <u>Eligible for Testing:</u> All members	Status (STATUSKEYF) is blank	Status is not 1-9, T or O	Status on member summary (STATUSKEYF) does not match that on basic details (STATUS[1]) Test is excluded from the TPR results			
Tested: 152394	Failed: 0	Failed: 0	Failed: 0			

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
<p>Status and invalid data view</p> <p><u>Eligible for Testing:</u></p> <p>All members</p> <p>Category is excluded from the TPR results</p>	Exit details should not be present unless status is 3, 7 or 9 or a previous status is 9 and the current status is 1, 2, 4, 5 or T	Deferred details should not be present unless status is 4 or a previous status is 4 and the current status is 1, 2, 3, 5, 7 or T	Pension details should not be present unless status is 5 or T or T or a previous status is 5 or T and the current status is 1, 2, 3, 4 or 7	Dependant details should not be present unless status is 6 or a previous status is 6 and the current status is 3 or 7		
Tested: 152394	Failed: 501	Failed: 744	Failed: 230	Failed: 85		
<p>Address</p> <p><u>Eligible for Testing:</u></p> <p>All members except leavers and deaths (status 3 and 7)</p>	Address record does not exist	Address record exists, but line 1 (ADD-LINE-1) is blank	Gone Away (ADD-GONAWY) indicator is set	If the address is not overseas, the Postcode (POSTCODE) is blank	If the address is not overseas, the Postcode is not the correct format (1 st letter =Q, V or X, 2 nd letter is I, J or Z, 3 rd , 4 th or 5 th character is not a space)	Test is excluded from the TPR results
Tested: 152394	Failed: 87	Failed: 22	Failed: 2395	Failed: 6	Failed: 193	

Condition	Fail A	Fail B	Fail C	Fail D	Fail E	Fail F
<p>Status and valid data view</p> <p><u>Eligible for Testing:</u> Members with deferred benefits or benefits in payment (Status 4, 5, 6, 7 and 9)</p> <p>Category is excluded from the TPR results</p>	Status 4 does not have deferred details	Status 5 does not have pension details	Status 6 does not have dependant details	Status 7 or 9, with a previous status of 1 or 4 do not have exit details	Status 7 with a previous status of 5-should <u>should</u> have a relevant date pension ceased	Status 7 with a previous status of 6 should have a relevant date pension ceased
Tested: 152394	Failed: 0	Failed: 1	Failed: 1	Failed: 48	Failed: 252	Failed: 41





Data Improvement Plan

October 2020

Summary

This improvement plan primarily aims to address the key issues identified in the Fund's Annual Data Quality review which took place in September 2020 and demonstrates the appropriate steps the Fund is taking to tackle the issues raised in the review and how it will improve the data held.

The Fund also undertakes additional measures to ensure that accurate pension benefits are communicated and paid to the correct member or beneficiary.

It is expected that, as result of the McCloud judgement of the public sector pension reforms, data collection and rectification work will require to be undertaken by the Fund.

Plan Objectives

- ❖ Maintain complete and accurate records to ensure the timeously payment of correct pension benefits.
- ❖ Identify members with "gone-away" status and undertake tracing exercises to locate new addresses.
- ❖ To prevent and detect fraudulent claims.
- ❖ Improve the member online experience by expanding their self-service capabilities.
- ❖ Engage with employers to improve the timeliness and quality of member data.

Outcomes

Objective	Action	Measure	Resource	Timescale
Maintain complete and accurate records to ensure the timeously payment of correct pension benefits	Improvement in the Fund's TPR Data scores for Common and Scheme Specific Data through analysis of records, creation and implementation of rectification plan	Increase in TPR data score	Lothian Pension Fund Staff Heywood Data Quality Service	August 2021
	The Fund will utilise the Hymans data portal and make corrections where required	Improvement in number of critical errors recorded	Lothian Pension Fund Staff Hymans Data Portal	August 2021
Identify members with "gone-away" status and undertake tracing exercise to locate new address	The Fund will carry out biannual bulk exercises to trace "lost" members	Reduction in number of members with "gone-away" status	Lothian Pension Fund Staff Accurate tracing service	June 2021
To prevent and detect fraudulent claims	The Fund will participate in the biennial National Fraud Initiative	Results will be used to suspend or stop pension payments	Lothian Pension Fund Staff NFI Portal	January 2021
	The Fund will continue to utilise the Western Union overseas existence check	Results will be used to suspend or stop pension payments	Lothian Pension Fund Staff Western Union	August 2021

	The Fund will submit data to the annual Club Vita exercise for analysis	Results will be used to investigate “suspicious” payments and cleanse longevity data	Lothian Pension Fund Staff Club Vita portal	August 2021	
	The Fund will receive Daily Updates from Tell Us Once	Results will be used to suspend or stop pension payments	Lothian Pension Fund Staff TUO portal	August 2021	
	The Fund will submit monthly data to the LGPS NI Database	Checks will be performed for benefits held with other funds to ensure benefit are paid in compliance with legislation	Lothian Pension Fund Staff LGPS NI Database	August 2021	
Page 171	Improve the member online experience by expanding their self-service capabilities	The Fund will propose new development ideas to the software provider and promote the benefits of the latest enhancements	Increase in self-service traffic with corresponding reduction in estimate requests	Lothian Pension Fund Staff Heywood programme developers	August 2021
	Engage with the employers to improve the timeliness and quality of member data	The Fund will provide quarterly Pension Administration Strategy statistics to employers	Analyse the results and identify employers of concern. Deliver training where improvement required	Lothian Pension Fund staff Employer Staff	August 2021
		The Fund will arrange and attend regular meetings with employers to discuss issues and improvement plans	Improved PAS statistics	Lothian Pension Fund staff Employer Staff	August 2021

The Fund will provide ongoing employer support in the provision of monthly submissions	Increase in percentage of returns submitted by due date. Reduction in manual rectification work	Lothian Pension Fund staff Employer Staff	August 2021
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Pensions Audit Sub Committee 2.00pm, Tuesday, 8 December 2020

Investment Income Review Cross Border Withholding Tax

1. Recommendations

The Pensions Audit Sub Committee is requested to:

- 1.1 note the report and highlight any points it would like to raise at the Pensions Committee on 9 December 2020

John Burns

Chief Finance Officer, Lothian Pension Fund

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Investment Income Review Cross Border Withholding Tax

2. Executive Summary

- 2.1 This report provides information on a benchmarking assurance review, prepared by Deloitte, into the effectiveness of the procedures in place to manage the tax exposure on the investment income of the Lothian Pension Fund and the Scottish Homes Pension Fund.
- 2.2 The review shows that Northern Trust is generally applying the correct withholding tax rates on investment income. Recovery claims are being processed and reclaims received, but Deloitte advise that the time taken seems to be longer than the market standard for refunds (particularly for Switzerland and Germany). A summary of the opportunities and issues identified is provided.

3. Background

- 3.1 Lothian Pension Fund (LPF) and Scottish Homes Pension Fund (SHPF) invest directly in stock markets across the globe. These investments generate income that is potentially liable to income tax in the country of tax domicile. During the 2019/20 financial year the funds earned income from companies in 37 different countries.
- 3.2 UK pension funds are usually able to benefit from beneficial tax rates. These rates are normally determined by separate tax treaties established between the UK Government and most foreign countries. Tax on dividends varies between 0% and 35%. In contrast, income on fixed interest stocks is usually free from tax.
- 3.3 In virtually all countries income is subject to taxation at source, so the owner of the investments receives the income net of the appropriate amount of tax. Taxation deducted in this way is called withholding tax or WHT for short.
- 3.4 In some countries, the preferential rate for UK pension funds is subject to providing the tax authorities of the country concerned with an application and supporting paperwork. The exact requirements vary from country to country and in some cases, can be quite onerous. Failure to have preferential rate approval in place means that income will be subject to a higher rate of tax than is necessary.
- 3.5 The preferential rate may be applied at source, meaning that there is no tax to reclaim from the foreign tax authority. Alternatively, the rules of the country may require tax to be deducted at the full rate with a subsequent claim having to be made to the tax authority to get repayment of the difference between the full rate and the preferential rate.

- 3.6 The requirements to make a valid repayment claim and the time it takes for the claim to be paid vary considerably from country to country.

The Role of the Custodian

- 3.7 The custodian appointed for the two pension funds is Northern Trust (NT). In addition to the vital role of holding title to investments on behalf of the investor, the global investment custodian is responsible for the management of the procedures and processes that relate to the taxation of investment income.

The Scale of Activity

- 3.8 The tables below show the movement in the reclaimable tax balances during the 2019/20 and 2018/19 financial years for LPF and SHPF.

Lothian Pension Fund	2019/20 £	2018/19 £
Brought Forward 1 April	9,065,654.26	7,659,745.17
Recoverable tax accrued during year	7,672,784.97	4,525,904.62
Claims paid during year	(1,838,489.56)	(3,119,995.53)
Carried Forward 31 March	14,899,949.67	9,065,654.26

Scottish Homes Pension Fund	2019/20 £	2018/19 £
Brought Forward 1 April	30,876.71	44,822.84
Recoverable tax accrued during year	786.93	306.41
Claims paid during year	(4,559.51)	(14,252.54)
Carried Forward 31 March	27,104.13	30,876.71

- 3.9 The balance carried forward increased by £5,834k for LPF and decreased by £3.8k for SHPF.
- 3.10 The year-end recoverable tax balances at 31 March 2020 and 31 March 2019, broken-down by country, are provided for each of the Funds in the tables below.

Lothian Pension Fund	Reclaim Amount 31/03/2020 £	Number of Dividends 31/03/2020	Reclaim Amount 31/03/2019 £	Number of Dividends 31/03/2019
Austria	25,067.49	4	53,428.52	12
Belgium	630,173.12	10	-	-
Canada	858.89	1	-	-
Denmark	216,821.65	39	95,714.69	30
Finland	25,837.30	1	-	-
France	3,652.46	4	3,556.67	5
Germany	4,479,229.77	100	2,920,338.37	74
Israel	17,691.23	4	16,408.26	4
Netherlands	503,818.43	29	165,944.30	14
Norway	-	-	430,879.15	28
Portugal	69,537.45	2	44,252.27	1
Spain	24,472.18	1	-	-
Switzerland	8,498,188.54	91	5,147,938.86	61
United Kingdom	404,601.16	15	187,193.17	10
Grand Total	14,899,949.67	301	9,065,654.26	239

Scottish Homes Pension Fund	Reclaim Amount 31/03/2020 £	Number of Dividends 31/03/2020	Reclaim Amount 31/03/2019 £	Number of Dividends 31/03/2019
Canada	-	-	1,010.82	2
Germany	12,237.72	4	11,916.81	4
Japan	1,538.37	1	1,427.77	1
Netherlands	-	-	1,547.36	4
Norway	3,920.32	6	4,548.94	6
Switzerland	9,407.72	2	8,697.30	2
United Kingdom*	-	-	1,727.71	4
Grand Total	27,104.13	13	30,876.71	23

* Relates to UK listed overseas companies dividends.

- 3.11 SHPF had direct holdings in equity investments during the period March 2017 to March 2018. An Index Linked Gilts strategy was adopted in March 2018. As a result, SHPF had some outstanding withholding tax claims at 31 March 2020 relating to this period of equity investment.
- 3.12 For LPF, Switzerland accounts for 57% (56% at 31 March 2019) for the total amount receivable, and for the Scottish Homes Pension Fund 35% (28% at 31 March 2019). The reason the Swiss total claim value is so large is that 35% tax is deducted on all dividends and the 0% rate relief is obtained by claiming the tax paid back. There are few other countries where the tax deducted at source is so high.

- 3.13 The Swiss, German, Belgian and Dutch claims are analysed in more detail later in this report.

4. Main Report

Benchmarking (Assurance) Review

- 4.1 Given the complexity and scale of the taxation of investment income, it is important that LPF's custodian, Northern Trust (NT), provides an efficient service. Failure to ensure that the correct tax rates are being applied would result in a direct loss of income. Poor management of the tax reclaim process could mean that recoverable tax is never recovered or delayed.
- 4.2 In order to assess the effectiveness of NT's work, Deloitte has been commissioned to prepare a benchmarking assurance report. The remit was to carry out a review of the WHT suffered for the period 1 August 2019 to 31 July 2020. Deloitte have also been asked to review the timeliness of the WHT reclaims made by the custodian in respect of this period.

Findings – WHT Rates Applied

- 4.3 The Deloitte study found that in general optimal WHT rates appear to have been achieved by the Fund for the majority of dividend distributions received. Deloitte's did identify some potential opportunities and issues, however after discussion with NT on the specific cases the Fund is comfortable that no further action is required.
- 4.4 The reclaim process consists of the custodian preparing an application in the required format for the country concerned. Once the application has been lodged with the tax authorities of the country, it will take the authority an amount of time to process the claim and pay the refund. This processing time varies from country to country – some take a matter of months and others will take a number of years.
- 4.5 The Deloitte report highlights "the vast majority of pending claims are just waiting for the 2020 year to end in order for them to be processed in 2021". However, examples have been identified of NT's claims processing being slower than the market standard for such work with the most material of these being for the Swiss and German markets. The responses of NT to various matters identified have been summarised below. We will continue to work with NT to ensure that our claims are processed as quickly as possible.
- 4.6 Swiss claims accounted for 57% (£8,498k) of the value of Lothian Pension Fund claims. The amounts due can be summarised as follows:

Year	Lothian Pension Fund	Lothian Pension Fund	Lothian Pension Fund	Comment
	30/9/20 £	31/3/20 £	31/3/19 £	
2017	-	2,388k	2,208k	Paid in 2020/21
2018	-	2,283k	2,110k	Paid in 2020/21
2019	2,380k	2,356k	830k	NT status at 30 September 2020: "Claim Under Preparation". There is no requirement for action from LPF.
2020	2,956k	1,471k	-	Claim cannot be made until the end of the calendar year.
Total	5,336k	8,498k	5,148k	

4.7 The reason for the increase in the balance for the Swiss claims is the 2017/18 claims not being paid until the 2019/20 financial year. Unfortunately, these delays seem to be a common theme in the market just now.

4.8 NT has provided warning that 2019's claims may be delayed. Due to the pandemic, resource in the sub custodian offices have been stretched with teams prioritising statute of limitations items meaning 2019 income tax reclaims that would normally be submitted in Q1/Q2 of 2020 are taking longer to get processed.

4.9 For Germany, the position for the LPF claims can be summarised as follows:

Year	Lothian Pension Fund	Lothian Pension Fund	Lothian Pension Fund	Comment
	30/9/20 £	31/3/20 £	31/3/19 £	
2016	739k	721k	702k	NT status at 30 September 2020: Reclaim Submitted to Sub Custodian".
2017	1,005k	980k	954k	NT status at 30 September 2020: "Market Issue"
2018	1,184k	1,155k	1,125k	NT status at 30 September 2020: "Market Issue"
2019	1,347k	1,456k	139k	NT status at 30 September 2020: "Market Issue"
2020	1,348k	167k	-	NT status at 30 September 2020: "Market Issue"
Total	5,623k	4,479k	2,920k	

4.10 The German claims relating to the 2016 period have been accepted by the sub custodian, the Fund now awaits payment of these claims. For claims 2017 onwards the Germany Tax Authorities have introduced a holding period requirement where claimants must have not traded 45 days prior to and after the dividend ex-date where the reclaim is greater than 15%. UK pension funds are caught under this

bracket. This is why all reclaims from 2017 onwards have been assigned a “Market Issue” status as NT review its operations to be able to capture this new requirement.

4.11 For Belgium, the position for the LPF claims can be summarised as follows:

Year	Lothian Pension Fund	Lothian Pension Fund	Lothian Pension Fund	Comment
	30/9/20 £	31/3/20 £	31/3/19 £	
2019	564k	550k	-	NT status at 30 September 2020: “Reclaim Submitted to Sub Custodian”
2020	283k	80k	-	Claim cannot be made until the end of the calendar year.
Total	847k	630k	-	

4.12 Like Germany the Belgian tax authorities have introduced a holding period requirement for foreign pension funds. NT are working on a procedure to automate this process.

4.13 For the Netherlands, the position for the LPF claims can be summarised as follows:

Year	Lothian Pension Fund	Lothian Pension Fund	Lothian Pension Fund	Comment
	30/9/20 £	31/3/20 £	31/3/19 £	
2017	-	-	36k	Paid 2019/20
2018	56k	55k	92k	Partial payment Paid 2019/20
2019	389k	380k	38k	NT status at 30 September 2020: “Reclaim Submitted to Sub Custodian”
2020	378k	69k	-	Claim cannot be made until the end of the calendar year.
Total	823k	504k	166k	

4.14 It is worth noting that Netherlands tax periods are calculated on a calendar year basis. This is the reason why a partial payment of withheld tax was received for the 2019/20 period.

5. Financial impact

5.1 The financial impact of the withholding tax claims is described in section 3.8 of this report.

6. Stakeholder/Regulatory Impact

- 6.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the fund and they are invited to comment on the relevant matters at Committee meetings.
- 6.2 There are no adverse health and safety, governance, compliance or regulatory implications as a result of this report.

7. Background reading/external references

- 7.1 None.

8. Appendices

- 8.1 None.



Pensions Audit Sub Committee **2.00pm, Tuesday, 8 December 2020**

Lothian Pension Fund - Internal Audit Update for the Period 1 April to 30 October 2020

1. Recommendations

The Pensions Committee is requested to note:

- 1.1 progress with delivery of the Lothian Pension Fund (LPF) 2020/21 Internal Audit (IA) plan; and
- 1.2 progress with implementation of agreed management actions to support closure of LPF IA findings raised.
- 1.3 the update on costs associated with delivery of the 2020/21 IA annual plan included at section 5.

Lesley Newdall

Chief Internal Auditor

Legal and Risk Division, Resources Directorate

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Lothian Pension Fund - Internal Audit Update for the Period 1 April to 30 October 2020

2. Executive Summary

- 2.1 This report provides details of the progress of IA assurance activity on behalf of LPF performed by the City of Edinburgh Council's (the Council) IA team.
- 2.2 Delivery of the three audits included in the 2020/21 IA Plan approved by the Committee in June 2020 has been impacted by Covid-19, and commenced in November 2020 with one audit now in progress, and the remaining two audits currently being planned.
- 2.3 As at 30 October 2020, LPF had a total of 7 open Internal Audit findings (1 high; 3 medium; and 3 low) that relate to the three audits completed in 2019/20.
- 2.4 Of the 7 open findings, (1 High; 2 Medium; and 3 Low) were overdue as at 30 October as management actions were not satisfactorily completed by the agreed implementation dates due to a lack of suitable evidence. However, evidence had been provided by LPF to Internal Audit to support closure of three of the findings (1 High; 1 Medium; 1 Low) and the High rated finding has since been closed.

3. Background

- 3.1 The LPF IA plan is risk based and is developed from review of the LPF risk register and discussion with management, with the audits included in the plan designed to test the effectiveness of the controls, and governance and risk management frameworks established to mitigate and manage LPF's risks.
- 3.2 The 2020/21 LPF IA plan was approved by the Pensions Audit Sub Committee in June 2020.
- 3.3 The outcomes of the audits included in the plan will support the 2020/21 LPF Internal Audit annual opinion and inform the annual Governance Statement included in the financial statements.
- 3.4 Whilst the Plan is delivered by the Council's IA team, IA is not the only source of assurance provided to LPF as there are a number of additional assurance sources (for example, external audit) that the Committee should consider when forming their own view on the design and effectiveness of the LPF control environment and governance and risk management frameworks. Details of additional assurance provided on LPF activities is included in the LPF assurance map maintained by management.
- 3.5 Lothian Pension Fund Investments (LPFI Ltd) is a fully owned subsidiary of LPF and has been registered with the Financial Conduct Authority (FCA) since June 2016 to

advise on investments, with the exception of pensions transfers and opt outs. Whilst the same operational processes and controls are applied by both LPF and LPFI, IA has not been requested to provide assurance on LPFI investment advice activities, and the extent of their compliance with FCA and other applicable regulatory requirements. Consequently, IA assurance is currently limited to the activities of LPF and the extent of their compliance with Local Government Pension Scheme (LGPS) regulatory requirements.

- 3.6 Where relevant, any LPF control weaknesses identified that could result in potential FCA concerns, or non-compliance with FCA regulatory requirements are highlighted in IA findings raised for management's attention.
- 3.7 All LPF IA reports prepared by the Council are presented to the LPF Pensions Audit Sub Committee for scrutiny, and then referred to the Pensions Committee for information (where appropriate).
- 3.8 Where control weaknesses are identified, Internal Audit findings are raised, and management agree recommendations to address the gaps identified. However, it is the responsibility of management to address and rectify the weaknesses identified via timely implementation of these agreed management actions.
- 3.9 Findings raised by IA in audit reports typically include more than one agreed management action to address the risks identified. IA methodology requires all agreed management actions to be closed in order to close the finding.
- 3.10 The IA definition of an overdue finding is any finding where all associated agreed management actions have not been evidenced as implemented by management and validated as closed by IA by the date agreed by management and IA and recorded in relevant IA reports.
- 3.11 The IA definition of an overdue management action is any agreed management action supporting an IA finding that is either open or overdue, where the individual action has not been evidenced as implemented by management and validated as closed by IA by the agreed date.
- 3.12 Where management considers that actions are complete and sufficient evidence is available to support IA review and confirm closure, the action is marked as 'implemented' on the IA follow-up system. When IA has reviewed the evidence provided, the management action will either be 'closed' or will remain open and returned to the relevant owner with supporting rationale provided to explain what further evidence is required to enable closure.
- 3.13 A 'started' status recorded by management confirms that the agreed management action remains open and that implementation progress ongoing.
- 3.14 A 'pending' status recorded by management confirms that the agreed management action remains open with no implementation progress evident to date.

4. Main Report

Progress with delivery of the LPF annual plan

- 4.1 It has been agreed with LPF management that PwC will be asked to deliver two of the three audits included in the 2020/21 IA annual plan under the direction of the Chief Internal Auditor as part of the established IA co-source arrangements, enabling the Council's IA team focus on the new Covid-19 risks currently impacting the Council.
- 4.2 The PwC team has been engaged, and the Bulk Transfers audit is in progress, with the audit of Employer Cessation Strategies, Valuations, and Exit Calculations currently being planned. The remaining audit will be delivered by the Council's IA team (LPF Technology Model Development) is also at the planning stage.
- 4.3 All audits will be completed by March 2020 (or earlier), although this will be dependent on ongoing Covid-19 impacts and any other potential resilience events that could impact delivery.

Status of Internal Audit Findings as at 30 October 2020

- 4.4 As at 30 October 2020 LPF had a total of 7 open Internal Audit findings (1 High; 3 Medium; and 3 Low) that relate to the three audits (Charles River Project Pre-Implementation System Testing; Pensions Entitlement Calculations; and Settlement and Custodian Services) completed in 2019/20.
- 4.5 As at 30 October, 6 of these findings (1 High; 2 Medium; and 3 Low) were overdue, as management actions had not been completed by the agreed implementation dates, as illustrated in Appendix 1.
- 4.6 However, evidence had been provided to IA by LPF to support closure of three of the findings (1 High; 1 Medium; 1 Low) by 30 October, and the High rated finding was closed in November. Engagement is ongoing with the LPF management team in relation to the evidence required to support closure of the remaining findings.
- 4.7 The overdue High rated finding that has now been closed was raised in the Settlement and Custodian Services audit and included two management actions that highlighted the need for LPF to confirm:
- 4.7.1 that the existing 2011 contract for settlement and custodian services adequately reflected the current operating environment, including relationships with other LPF suppliers; the current regulatory landscape; the need for inclusion of agreed key performance indicators; and the requirement for ongoing provision of assurance reports. This action has now been closed as the risks were accepted by management as being within their

risk appetite. It should be noted, however, that as LPF does not have an established risk appetite statement approved by the Committee, closure is based on discussion with management

4.7.2 adequacy of the technology security; data protection; and legal arrangements supporting access to the Charles River Investment Management System by the settlement and custodian services provider via a new secure file transfer protocol arrangement. This action has been closed based on evidence provided.

4.8 The 6 overdue IA findings are supported by a total of 8 agreed management actions that require to be closed in order to close the finding. Details of the status of these management actions as at 30 October is included at Appendix 2.

5. Financial impact

5.1 The IA annual plan included an estimated cost of £50K for delivery of the 2020/21 IA annual plan. PwC has confirmed an initial estimate of £32K for the two specialist audits, although this may vary depending on their scope; complexity; and time involved. The balance of £18K reflects the costs associated with the remaining Technology Model Development audit to be completed by the Council's IA team; the costs associated with ongoing follow-up activity; and the costs involved with preparing reports and attending committee meetings.

5.2 It is also important to note that failure to close IA findings raised and address the associated risks in a timely manner may also have some inherent financial impact.

6. Stakeholder/Regulatory Impact

6.1 IA findings are raised as a result of control gaps or deficiencies identified during audits. If agreed management actions are not implemented to support closure of Internal Audit findings, LPF will be exposed to the risks set out in the relevant IA reports, including the potential risk of non-compliance with applicable regulations.

7. Background reading/external references

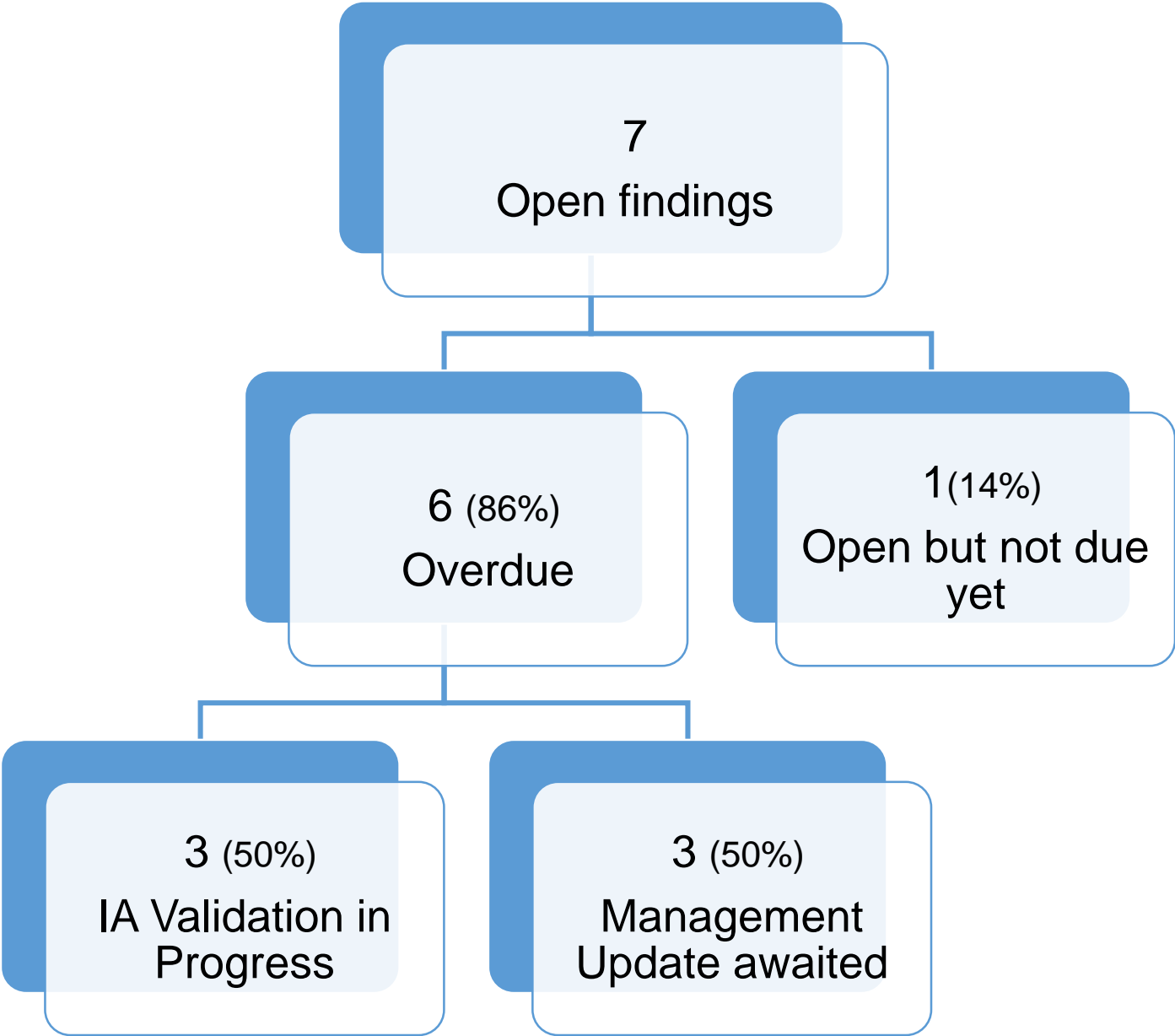
7.1 [Public Sector Internal Audit Standards](#)

8. Appendices

Appendix 1 Graphic of Lothian Pension Fund Internal Audit Open and Overdue findings position as at 30 October 2020.

Appendix 2 Lothian Pension Fund Internal Audit Overdue Management Actions as at 30 October 2020.

**Appendix 1 - Lothian Pension Fund
Internal Audit Open and Overdue findings position as at 30 October 2020**



Appendix 2 – Lothian Pension Fund - Internal Audit Open and Overdue Management Actions as at 30th October 2020

Glossary of terms

1. **Project** – This is the name of the audit report.
2. **Owner** – The Executive Director responsible for implementation of the action.
3. **Issue Type** – This is the priority of the audit finding, categorised as Critical, High, Medium, Low and Advisory.
4. **Issue** – This is the name of the finding.
5. **Status** – This is the current status of the management action. These are categorised as
 - Pending (the action is open and there has been no progress towards implementation),
 - Started (the action is open and work is ongoing to implement the management action),
 - Implemented (the service area believe the action has been implemented and this is with Internal Audit for validation).
6. **Agreed Management action** – This is the action agreed between Internal Audit and Management to address the finding.
7. **Estimated date** – the original agreed implementation date.
8. **Revised date** – the current revised date. **Red** formatting in the dates field indicates the last revised date is overdue.
9. **Number of revisions** – the number of times the date has been revised since July 2018. **Amber** formatting in the dates field indicates the date has been revised more than once.
10. **Contributor** – Officers involved in implementation of an agreed management action

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
1	LPF Custodian Services Northern Trust Contract Stephen Moir, Executive Director of Resources	High	RES1913 Rec 1.1 Northern Trust relationships with other LPF suppliers Implemented as at 30 October and closed 16 November	This is now under investigation but the timing of this falls against other priorities for LPF and it will take time to investigate between LPF, Charles River and Northern Trust in order to determine the existence and extent of any gap. We are investigating this as a priority and, for now, acknowledge the potential gap as highlighted by Internal Audit. LPF will investigate contractual arrangements supporting NT access to CR by 30 June.	Estimated Date: 30/06/2020 Revised Date: No of Revisions 0	Annette Smith Doug Heron Esmond Hamilton Hugh Dunn Jason Koumides John Burns Layla Smith Struan Fairbairn

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
	<p>LPF Custodian Services</p> <p>Regulatory and risk management oversight</p> <p>Stephen Moir, Executive Director of Resources</p>	Medium	<p>RES1913 Rec 2.1</p> <p>Regulatory and risk management oversight</p> <p>Implemented</p>	<p>LPF will prepare a fully developed and detailed action plan by 30 September 2020, that will consider recommendations 2.1; 3.1; and 4.1 of this report. LPF Management consider that our risk management process adequately takes into account and considers custodian risk within LPF when that is appropriate. It does this through monitoring key suppliers, regulatory breaches and other associated risks which are purposefully focused on LPF's own business. We can evidence appropriate risks having been identified, actioned and monitored over time, however, LPF does not seek to include all granular operational risks identified by sub-groups or specific supplier management processes but does have sufficient governance in place to ensure that where those risks are sufficiently material, they are escalated through the risk group for consideration and potential inclusion in the register. LPF's LR&C team are also involved in NT supplier management at appropriate junctures. A further response to this finding will be provided as part of the fully developed plan in response to the audit that will be prepared by 30 September 2020.</p>	<p>Estimated Date: 30/09/2020</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	<p>Annette Smith</p> <p>Doug Heron</p> <p>Esmond Hamilton</p> <p>Hugh Dunn</p> <p>Jason Koumides</p> <p>John Burns</p> <p>Layla Smith</p> <p>Struan Fairbairn</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
3	<p>LPF Custodian Services</p> <p>Northern Trust Supplier Management</p> <p>Stephen Moir, Executive Director of Resources</p>	Low	<p>RES1913 Iss4 Rec 4.1</p> <p>Supplier Management</p> <p>Implemented</p>	<p>LPF will prepare a fully developed and detailed action plan by 30 September 2020, that will consider recommendations 2.1; 3.1; and 4.1 of this report. LPF considers that the approach taken to our oversight of NT is more robust than is indicated here. Beyond this point, we will conduct an internal review on the effectiveness of the arrangements for documenting service review meetings and due diligence reviews, but we believe substantial and effective reviews have been undertaken and appropriate action points raised.</p>	<p>Estimated Date: 30/09/2020</p> <p>Revised Date:</p> <p>No of Revisions 0</p>	<p>Annette Smith</p> <p>Doug Heron</p> <p>Esmond Hamilton</p> <p>Hugh Dunn</p> <p>Jason Koumides</p> <p>John Burns</p> <p>Layla Smith</p> <p>Struan Fairbairn</p>
4	<p>LPF Charles River Project</p> <p>RES1911[LPF] Iss1 Post implementation operational processes and controls</p> <p>Stephen Moir, Executive Director of Resources</p>	Medium	<p>RES1911 Iss.1 Rec.1</p> <p>Post implementation operational processes and controls</p> <p>Started</p>	<p>LPF management accepts the findings noted above and has established a Phase 2 action plan to ensure that these are addressed prior to full Business as usual implementation of the system.</p>	<p>Estimated Date: 14/02/2020</p> <p>Revised Date: 14/06/2020</p> <p>No of Revisions 0</p>	<p>Anne Mitchell</p> <p>Bruce Miller</p> <p>Doug Heron</p> <p>Hugh Dunn</p> <p>Michelle Vanhegan</p> <p>Struan Fairbairn</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
5	<p>LPF Pensions entitlement calculations</p> <p>1. Review of Altair system user access profiles</p> <p>Stephen Moir, Executive Director of Resources</p>	Low	<p>1.1: Review of Altair system user access profiles</p> <p>Started</p>	<p>Altair role profiles will be reviewed and aligned as far as possible on to ensure standardisation on a 'least access' privilege basis; Toxicity scenarios will be assessed and mitigating controls documented. A risk based Altair entitlement review process will be implemented with all employees covered at least once per year.</p>	<p>Estimated Date: 30/09/2020</p> <p>Revised Date: 01/02/2021</p> <p>No of Revisions 0</p>	<p>Doug Heron Hugh Dunn John Burns Struan Fairbairn</p>
Page 6 190	<p>LPF Pensions entitlement calculations</p> <p>1. Review of Altair system user access profiles</p> <p>Stephen Moir, Executive Director of Resources</p>	Low	<p>1.2: Connected user access rights</p> <p>Started</p>	<p>The Internal Audit recommendation will be implemented as detailed above.</p>	<p>Estimated Date: 30/09/2020</p> <p>Revised Date: 01/02/2021</p> <p>No of Revisions 0</p>	<p>Doug Heron Hugh Dunn John Burns Struan Fairbairn</p>
7	<p>LPF Pensions entitlement calculations</p> <p>2. Ongoing maintenance of procedure manuals</p> <p>Stephen Moir, Executive Director of Resources</p>	Low	<p>2.1: Ongoing maintenance of procedure manuals</p> <p>Started</p>	<p>The Internal Audit recommendation will be implemented as detailed above.</p>	<p>Estimated Date: 30/09/2020</p> <p>Revised Date: 01/02/2021</p> <p>No of Revisions 0</p>	<p>Doug Heron Hugh Dunn John Burns Struan Fairbairn</p>

Ref	Project/Owner	Issue Type	Issue/Status	Agreed Management Action	Dates	Contributor
8	LPF Custodian Services System Access and Security Stephen Moir, Executive Director of Resources	Medium	RES1913 Iss 3 Rec.3.1 System access controls Started	1. Agree with recommendation, access reports will be requested and reviewed quarterly. Whilst this review has been undertaken annually, it is accepted that formal evidence should be retained. 2. Agreed – this action will be implemented as recommended. 3. Agreed – this action will be implemented as recommended. 4. Agreed – all non LPF user profiles will be reviewed and removed. LPF will prepare a fully developed and detailed action plan by 30 September 2020, that will consider recommendations 2.1; 3.1; and 4.1 of this report.	Estimated Date: 30/09/2020 Revised Date: No of Revisions 0	Annette Smith Doug Heron Esmond Hamilton Hugh Dunn Jason Koumides John Burns Layla Smith Struan Fairbairn

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