



## **Notice of Meeting and Agenda**

### **Pensions Audit Sub-Committee**

**2.00 pm Monday, 4th December, 2023**

Hybrid Meeting - Burns Suites, COSLA, 19 Haymarket Yards, Edinburgh EH12 5BH / Microsoft Teams

This is a public meeting and members of the public are welcome to attend.

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 Any items under “Private Business” will not be published, although the decisions will be recorded in the minute.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:**

Susan Handyside, Governance Manager, Lothian Pension Fund

Tel: 0333 996 1971

Email: [susan.handyside@edinburgh.gov.uk](mailto:susan.handyside@edinburgh.gov.uk)

Andrew Henderson, Committee Services, City of Edinburgh Council

Email: [andrew.henderson@edinburgh.gov.uk](mailto:andrew.henderson@edinburgh.gov.uk)

## 1. Quorum Check

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

## 2. Order of Business

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- 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

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- 3.1 Members of the Sub-Committee and members of the Pension 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

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- 4.1 If any

## 5. Minutes

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- 5.1 Minute of the Pensions Audit Sub Committee of 26 September 2023 (circulated) – submitted for approval as a correct record. 7 - 12

## 6. Reports

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- 6.1 Agenda Planning Update – report by the Chief Executive Officer, Lothian Pension Fund (circulated) 13 - 22

<b>6.2</b>	Lothian Pension Fund - Internal Audit Update – November 2023 - report by Principal Audit Manager, City of Edinburgh Council (circulated)	23 - 40
<b>6.3</b>	Employer Performance and Data Quality Update – report by the Chief Operations Officer, Lothian Pension Fund (circulated)	41 - 94
<b>6.4</b>	Investment Income Review Cross Border Withholding Tax and EU Tax Recoveries – report by the Chief Finance Officer, Lothian Pension Fund (circulated)	95 - 104

## **7. Motions**

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**7.1** None.

## **8. Resolution to Consider in Private**

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**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**

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<b>9.1</b>	Risk & Compliance Update - report by the Chief Risk Officer, Lothian Pension Fund (circulated)	105 - 116
<b>9.2</b>	IT Information Security Update – report by the Chief Operations	117 - 154

## **Nick Smith**

Service Director, Legal and Assurance

## **Committee Members**

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John Anzani (Convener), Councillors Doggart and Ross.

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

## **Information about the Pensions Audit Sub-Committee**

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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 Audit Sub-Committee monitors the operation of the Fund's internal controls, governance, risk and compliance arrangements and financial reporting.

This meeting of the Pensions Audit Sub-Committee is being held on a hybrid basis in the Burns Suites, COSLA, 19 Haymarket Yards, Edinburgh EH12 5BH and by Microsoft Teams and is open to members of the public.

The meeting will be monitored by Susan Handyside.

## **Pension Board Members**

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Alan Williamson, Brian Robertson, Darren May, Jim Anderson (Chair), Sharon Dalli, Thomas Carr-Pollock, Tom Howorth, Nick Chapman and Tony Beecher.

## **Information about the Pension Board**

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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.

## **Independent Professional Observer**

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Alison Murray

### **Information about the Independent Professional Observer**

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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**

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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 Deborah Smart, Executive Director of Corporate Services 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**

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

David Vallery, Chief Executive Officer  
Bruce Miller, Chief Investment Officer

Pensions Audit Sub-Committee

Kerry Thirkell, Chief Risk Officer

Alan Sievwright, Chief Finance Officer

Helen Honeyman, Chief People Officer

## Further Information and Contact

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If you have any questions about the agenda or meeting arrangements, please contact Susan Handyside, Assistant Company Secretary, Lothian Pension Fund, PO Box 24158, Edinburgh EH3 1GY, Tel 0333 996 1971 email [han24S33@lpf.org.uk](mailto:han24S33@lpf.org.uk) .

A copy of the agenda and papers for this meeting will be available for inspection prior to the meeting at the Main Reception, City Chambers, High Street, Edinburgh EH1 1YJ.

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, Tuesday 26 September 2023**

### **Present:**

John Anzani (Convener), Councillor Phil Doggart and Councillor Neil Ross.

### **Pension Board Member:**

Tom Howorth.

### **Other Attendees:**

Andy McKinnell, Independent Professional Observer, Laura Calder, (Senior Audit Manager, City of Edinburgh Council) and Nick Bennett, Azets Audit Services (External Auditor).

### **1. Quorum**

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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**

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

### **3. Declaration of Interests**

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#### **Decision**

To note there were no declarations of interest.

### **4. Minutes**

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#### **Decision**

To approve the minute of the Pensions Audit Sub-Committee of 19 June 2023 as a correct record.

### **5. Pension Board oversight**

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

### **6. Agenda Planning and Governance Update**

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

An update was also provided on the appointment process which had been undertaken during July and August for an Independent Professional Observer for Lothian Pension Fund.

Information was also submitted updating members on the LPFE and LPFI Boards' succession planning considerations with the current Chair of both Boards retiring on 30 September 2023. Members were asked to note the appointments of Dr Deborah Smart, Executive Director of Corporate Services, City of Edinburgh Council as chair of LPFE and Leslie Robb, Independent Non-Executive Director as Chair of LPFI. Nareen Turnbull, Service Director, Human Resources, City of Edinburgh Council would also become a director of LPFE with effect from 1 October 2023.

### **Decision**

- 1) To note the agenda planning document.
- 2) To agree to close the actions set out in the tracker at appendix 2.
- 3) To note the recruitment of the new Independent Professional Observer subject to agreement of mutually acceptable terms and conditions for the provision of the Independent Professional Observer Service for Lothian Pension Fund.
- 4) To note the Lothian Pension Fund governance update regarding the changes in membership of the LPFE and LPFI Boards.
- 5) To note the significant contribution made by Hugh Dunn, Chair of LPFE and LPFI to the work of Lothian Pension Fund and to extend the Sub-Committee's best wishes for his retirement.
- 6) To note the significant contribution made by Andy McKinnell, Independent Professional Observer to the work of Lothian Pension Fund.
- 7) To note that the Pension Board Members were invited to comment on agenda items during Committee meetings.
- 8) To note that a review of the Shareholder Agreement with City of Edinburgh Council was planned for 2024.

(Reference – report by the Chief Executive Officer, Lothian Pension Fund, submitted.)

## **7. Audited Annual Report and Accounts of the Lothian Pension Fund and Scottish Homes Pension Fund**

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An overview and details of the Audited Annual Report and Accounts for the year ended 31 March 2023 for Lothian Pension Fund and Scottish Homes Pension Fund was presented to members by the Chief Finance Officer, Lothian Pension Fund and the Fund's external auditor, Nick Bennett from Azets Audit Services.

The external auditor presented the audit findings to members including the audit opinion, key findings on audit risks, audit adjustments and accounting systems and internal controls.

Members were pleased to note that an unqualified opinion had been provided on the financial statements and other prescribed matters for Lothian Pension Fund and Scottish Homes Pension Fund.



Key points within the Audit Report included confirmation that work had been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK and Ireland) and Ethical Standards.

Some minor disclosure and presentational adjustments had been identified during the audit and these had been reflected in the final set of financial statements as set out in appendix 2 of the report.

#### **Decision**

- 1) To note the report by Azets Audit Services “Lothian Pension Funds 2022/23 Annual Audit Report to Members of the Pensions Committee and the Controller of Audit” set out at Appendix 1.
- 2) To note the audited Annual Report for the year ended 31 March 2023 for the Lothian Pension Fund and the Scottish Homes Pension Fund, set out at Appendix 2.
- 3) To note that the audited financial statements for the year ended 31 March 2023 of both the wholly owned companies, LPFE Limited and LPFI Limited, had been approved by the respective Boards of Directors in June 2023 set out in the statements at Appendices 3 and 4.
- 4) To note the Letter of Representation (ISA 580) by the Chief Finance Officer, Lothian Pension Fund set out in Appendix 5.
- 5) To record the Sub-Committee’s thanks to the Lothian Pension Fund team and the external auditor for their work in ensuring that the audit had been carried out smoothly and efficiently.

(References – Pensions Audit Sub-Committee 19 June 2023 (item 7); report by the Chief Finance Officer, Lothian Pension Fund, submitted.)

### **8. Internal Audit Update – August 2023**

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Details were reported of progress of Internal Audit’s (IA) assurance activity on behalf of Lothian Pension Fund overseen by the City of Edinburgh Council’s IA function across the period from 2 May to 25 August 2023.

Good progress was being made with delivery of the 2023/24 annual plan with the People Processes audit completed and three further audits underway. The completed People Processes audit was set out at appendix 1 for review and scrutiny.

As at 10 August 2023, Lothian Pension Fund had 22 open management actions with 3 actions past the original implementation date. A total of 5 actions had been closed since May and 14 new actions raised following completion of audits.

#### **Decision**

- 1) To note progress with delivery of the 2023/24 Lothian Pension Fund internal audit plan with one audit complete and a further three in progress.

- 2) To note progress with implementation of agreed management actions from previously completed internal audits.
- 3) To note that the Head of Internal Audit would report the internal audit position as it related to the LPFE and LPFI Boards to both Boards at the appropriate time.

(Reference – report by the Head of Internal Audit, City of Edinburgh Council, submitted.)

## **9. Fraud Prevention**

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Members were presented with an overview of the work undertaken by Lothian Pension Fund to prevent fraud including controls such as LPF's delegations, one off payments processes and bank validation checks. The report also updated members on LPF's participation in initiatives such as the national fraud initiative and the Local Government Association (LGA) National Insurance database.

There had been no cases of fraud (member, employer, supplier or colleague) identified in this period.

### **Decision**

To note the report.

(Reference - report by the Chief Executive Officer, Lothian Pension Fund, submitted.)

## **10. Risk and Compliance Update**

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The Sub-Committee, under Section 50(A)(4) of the Local Government (Scotland) Act 1973, excluded the public from the meeting for the item of business on the grounds that it involved the disclosure of exempt information as defined in Paragraphs 1.3 and 6 of Schedule 7(A) of the Act.

An overview was provided of monitoring and assurance undertaken by Lothian Pensions Fund noting any material observations or exceptions together with a summary of the work to enhance current risk management arrangements.

### **Decision**

Detailed in the confidential schedule, signed by the Convener with reference to this minute.

(Reference – report by the Chief Risk Officer, Lothian Pension Fund, submitted)

by virtue of paragraph(s) 1, 3, 6 of Part 1 of Schedule 7A  
of the Local Government(Scotland) Act 1973.

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## **Pensions Audit Sub Committee**

2.00pm, Monday, 4 December 2023

### **Agenda Planning Update**

#### **Item number 6.1**

#### **1. Recommendations**

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

- 1.1 note the agenda planning document and the action tracker (appendix 2);
- 1.2 note that the Pension Board members are invited to comment on agenda items during Committee meetings; and
- 1.3 agree to hold an additional Audit Sub Committee meeting in March 2024 to consider the actuarial valuation and the AVC review paper.

#### **David Vallery**

Chief Executive Officer, Lothian Pension Fund

Contact: Susan Handyside, Assistant Company Secretary, Lothian Pension Fund

E-mail: [lpfgovernancecomms@lpf.org.uk](mailto:lpfgovernancecomms@lpf.org.uk) | Tel: 0333 996 1900

# Agenda Planning Update

## 2. Executive Summary

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- 2.1 This report and the agenda planning document (appendix 1) 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 The report also provides committee an update on key actions from its meeting in September 2023 (appendix 2).
- 2.3 There will, of course, be specific matters and papers which need to be brought to the attention of the committee in addition to those set out herein.

## 3. Background

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- 3.1 In order for the Committee and Pension Board to gain an overview of the content of future meetings, and an awareness of the annual cycle of items, an agenda planning document is submitted each quarter.
- 3.2 In June 2023 committee also requested that an action tracker be tabled for consideration and to update the committee on progress with actions agreed.
- 3.3 Committee meetings are held on a quarterly basis and additionally as required; the Audit Sub Committee meetings are held at least three times a year.
- 3.4 At its meeting in June 2023, the Audit Sub Committee agreed to hold an additional meeting in March 2024 if required.

## 4. Main Report

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### Agenda Planning

- 4.1 The proposed agendas for the March 2024 and June 2024 meetings are set out in the following tables, based on the usual Committee cycle plus any additional and intra-cycle requests.
- 4.2 The convenor of the Audit Sub Committee has requested that the committee hold an additional meeting on Tuesday 19 March to provide greater oversight and consideration of the actuarial valuation report.
- 4.3 Additionally, it is proposed that the AVC review, which was due to be considered in December, is also considered in March 2024. This deferral of this report will allow the outcome of the provider meetings, being held in November, to be reported and

will also enable LPF to report on the National LGPS Framework for AVCs that will be launched in March 2024.

## March 2024

### Pensions Committee

- LPF Strategy and Business Plan (operating plan) and Budget
- Actuarial Valuation for Lothian Pension Fund
- Actuarial Valuation for Scottish Homes Pension Fund
- Funding Strategy Statement
- Audit Plans (Internal and External)
- LPF Internal Audit Review
- Policies and Strategies Update
- Benchmarking
- Risk and Compliance update

*The Audit Sub Committee meet three times a year but have an additional meeting scheduled on Tuesday 19 March 2024.*

## June 2024

### Pensions Committee

- Referrals/ recommendations from Pensions Audit Sub Committee
- LPF Annual Report and Accounts (Unaudited)
- Internal Audit Opinion
- Statement of Investment Principles
- Joint Investment Strategy Panel Activity
- Annual Investment Update – Lothian Pension Fund
- Annual Investment Update - Scottish Homes
- Annual LPF Group Governance Update
- Risk and Compliance Update

### Audit Sub Committee

- LPF Annual Report and Accounts (Unaudited)
- LPF Internal Audit Opinion
- Internal Audit Update
- Risk and Compliance Update

### Future Pensions Committee and Audit Sub Committee dates

4.4 The Committee meeting dates for 2023/24 are set out below and calendar invites have been issued to you. These meetings will be held in person with the option, if required, to attend virtually.

### Pensions Committee

- Wednesday 20 March 2024 at 2pm
- Wednesday 26 June 2024 at 2pm

### Audit Sub Committee

- Tuesday 19 March 2024 at 2pm
- Tuesday 25 June 2024 at 2pm



## **5. Financial impact**

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5.1 None.

## **6. Stakeholder/Regulatory Impact**

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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**

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7.1 [City of Edinburgh Council, Committee Terms of Reference \(sections 13 and 24\)](#)

## **8. Appendices**

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Appendix 1 – LPF’s Annual Agenda Planning Cycle

Appendix 2 – Action Tracker

# Appendix 1

Frequency	Pensions Committee	Audit Sub Committee
Every 3 years	<p><b>December or March</b></p> <p>Actuarial Valuation: LPF SHPF (next report due March 2024)</p>	N/A
	<p><b>March</b></p> <p>Funding Strategy Statement (review due June 2023 with final version presented for approval in March 2024)</p>	N/A
Biennial	<p><b>September</b></p> <p>Pension Administration Strategy (presented in March 2022)</p>	N/A
	<p>Administrating authority Discretions Policy. Next review due September 2024</p>	N/A
Annually	<p><b>March</b></p> <p>LPF Strategy and Business Plan and Budget Audit Plans (Internal and External)</p>	<p>N/A</p> <p><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 and circulated to the Audit Sub Committee members for comment.</i></p>
	<p>Benchmarking – Investment and Administration Costs</p> <p><b>June</b></p> <p>LPF Annual Report and Accounts (Unaudited) LPF Internal Audit Opinion Statement of Investment Principles Joint Investment Strategy Panel Activity Annual Investment Updates - Lothian Pension Fund and Scottish Homes Pension Fund Annual LPF Group Governance Update</p>	<p>N/A</p> <p>LPF Annual Report &amp; Accounts (Unaudited) LPF Internal Audit Opinion N/A N/A N/A N/A</p>

# Appendix 1

Frequency	Pensions Committee	Audit Sub Committee
	<p><b>September</b></p> <p>Employer Covenant Review            Audited Annual Report and Accounts of the Lothian Pension Fund and Scottish Homes Pension Fund (including the Annual Report by External Auditor)            Stewardship Code Review            N/A            Lothian Pension Fund Contract Awards Report</p> <p><b>December</b></p> <p>Annual Report by External Auditor <b>(or September if available)</b>            N/A            Stewardship            N/A            N/A            N/A            N/A</p>	<p>N/A            Audited Annual Report and Accounts of the Lothian Pension Fund and Scottish Homes Pension Fund (including the Annual Report by External Auditor)            N/A            Fraud Prevention            N/A</p> <p>Annual Report by External Auditor <b>(or September if available)</b>            Investment Income Review-Cross-Border Withholding Tax and EU Tax Recoveries            N/A            Pensions Data Quality            Global Custody Services Performance            Compliance Update and Risk Management: In-depth review            Additional Voluntary Contributions (AVC) Review</p>
<b>Semi Annually</b>	<p><b>March &amp; September</b></p> <p>Employers Participating in Lothian Pension Fund</p> <p><b>June &amp; December</b></p> <p>N/A</p>	<p>N/A</p> <p>IT Information Security Update</p>
<b>3 Times per year</b>	<p><b>March<sup>1</sup>, September &amp; December</b></p> <p>Operating Plan and Budget Update</p>	<p>N/A</p>

<sup>1</sup> The March update will have the dual purpose of a business strategy update, budget review and budget approval for the forthcoming financial year

# Appendix 1

Frequency	Pensions Committee	Audit Sub Committee
	<p><b>June, September &amp; December</b></p> <p>Referrals / recommendations from Pensions Audit-Sub</p> <p>N/A</p>	<p>N/A</p> <p>Risk and Compliance Update</p>
<p><b>Quarterly</b></p>	<p><b>March, June, September &amp; December</b></p> <p>Risk and Compliance Update</p>	<p>Internal Audit Update</p>
<p><b>As required</b></p>	<p>Investment Strategy Reviews (at least every 3 years – next due June 2024)</p>	<p>N/A</p>

Pension Audit Sub Committee  
Action Log

Meeting	Reference	Formal/Informal	Type	Owner /	Detail	Update	Completion date	Status
29/09/2023	20230926-2	Formal - <b>Agenda Planning report</b>	Approval	SH	<p>To note the agenda planning document.</p> <p>2) To agree to close the actions set out in the tracker at appendix 2.</p> <p>3) To note the recruitment of the new Independent Professional Observer subject to agreement regarding mutually acceptable terms and conditions for the provision of independent professional service for Lothian Pension Fund.</p> <p>4) To note the LPF governance update regarding the changes in membership of the LPFE and LPFI Boards.</p> <p>5) To note Hugh Dunn, Chair of LPFE and LPFI Boards significant contribution to LPF.</p> <p>6) To note the significant contribution of Andy McKinnell, Independent Professional Observer to LPF.</p> <p>7) To note that the Pension Board members were invited to comment on agenda items during committee meetings.</p> <p>8) <b>To note that a review of the Shareholder Agreement with City of Edinburgh Council was planned for 2024.</b></p>	A further update will be provided in June 2024 regarding the shareholder agreement review and presented to the pensions committee.	29/09/2023	propose to close
29/09/2023	20230926-3	Formal - <b>Audited Annual report</b>	Action	AS/JK	<p>To note the report by Azets Audit Services "Lothian Pension Funds 2022/23 Annual Audit Report to Members of the Pensions Committee and the Controller of Audit" set out in Appendix 1.</p> <p>2) To note the audited annual report for the year ended 31 March 2023 for the Lothian Pension Fund and the Scottish Homes Pension Fund set out in appendix 2.</p> <p>3) To note that the audited financial statements for the year ended 31 March 2023 of both the wholly owned companies, LPFE Ltd and LPFI Ltd, had been approved by the respective Board of Directors in June 2023, set out in appendices 3 and 4.</p> <p>4) To note the "Letter of Representation (ISA 580)" by the Chief Finance Officer, Lothian Pension Fund set out in appendix 5.</p> <p>5) To record the Sub-Committee's thanks to the LPF Team and the External Auditor for their work in ensuring that the audit had been carried out smoothly and efficiently.</p> <p><b>Note: Information to be circulated to members with an explanation of the differential in equities returns between the US dollar and sterling.</b></p>	Note will be circulated in advance of the ASC meeting.		propose to close

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## **Pensions Audit Sub-Committee**

2pm, Monday, 4 December 2023

### **Lothian Pension Fund - Internal Audit Update – November 2023**

#### **Item number 6.2**

#### **1. Recommendations**

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The Pensions Audit Sub-Committee is requested to note:

- 1.1 Progress with delivery of the 2023/24 the Lothian Pension Fund internal audit plan with two audits now complete and a further two in progress
- 1.2 Progress with implementation of agreed management actions from previously completed internal audits.

#### **Colin McCurley**

Principal Audit Manager, City of Edinburgh Council

Legal and Assurance, Corporate Services Directorate

E-mail: [colin.mccurley@edinburgh.gov.uk](mailto:colin.mccurley@edinburgh.gov.uk) | Tel: 0131 529 3680

# Lothian Pension Fund - Internal Audit Update – December 2023

## 2. Executive Summary

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- 2.1 This report provides details of the progress of Internal Audit’s (IA) assurance activity on behalf of Lothian Pension Fund (LPF) overseen by the City of Edinburgh Council’s (the Council) IA function across the period from 26 August 2023 to 1 November 2023.
- 2.2 Good progress is being made with delivery of the 2023/24 IA annual plan with both the People Processes audit and Senior Managers and Certification Regime audits complete and two further audits underway.
- 2.3 A report detailing the outcomes of the Senior Managers and Certification Regime audit recently completed is included for the Committee’s review and scrutiny.
- 2.4 As at 1 November, LPF had 24 open management actions with 5 actions passed the original implementation date. 6 actions have been closed since August 2023, and 8 new actions have been raised.

## 3. Background

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### 3.1 2023/24 Internal Audit Annual Plan

The 2023/24 LPF IA plan was agreed by the Pensions Audit Sub-Committee in March and includes five audits.

#### Internal Audit Follow-Up Process

- 3.2 IA follow-up and report on progress with implementation of management actions arising from IA reports.

## 4. Main Report

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- 4.1 The 2023/24 IA annual plan agreed by Committee in March 2023 includes the five reviews, with proposed timescales for completion of these audits as follows:

Audit	Timescale
People Processes	<b>Complete</b>
Senior Managers and Certification Regime	<b>Complete</b>
Business Continuity and Incident Response	Oct to Dec – <b>In progress</b>
Information Security Arrangements	Oct to Dec – <b>In progress</b>
Project Forth – Targeted review	To be confirmed



### **Outcomes of the Senior Managers and Certification Regime audit**

- 4.2 The Senior Managers and Certification Regime (SMCR) audit is now complete and a report detailing the outcomes is included at Appendix 1 for review and scrutiny by Committee. The overall assurance rating for this audit is Reasonable Assurance, with 4 Medium rated findings, 1 Low rated finding, and 1 Advisory finding raised.
- 4.3 Our review concludes that the adequacy and operating effectiveness of the controls in place for SMCR are generally satisfactory and support the achievement of LPF objectives. Our findings are intended to enhance and strengthen LPF's people process control framework across the following areas:
- Governance arrangements
  - Overall and prescribed responsibilities
  - Senior Management Functions handover policy
  - Appointment and induction process
  - Oversight and governance
  - Fitness and Propriety assessment process and procedures.

### **Status of Open IA management actions**

- 4.4 As at 1 November 2023, LPF had 24 agreed management actions (6 High, 14 Medium and 4 Low) which were raised across the following audits:
- Information Governance (14)
  - Third Party Supplier Management (5)
  - Risk Management (1)
  - Technology Model Development (1)
  - Senior Managers and Certification Regime (3).
- 4.5 Five management actions have passed their original implementation date; however, a revised date of 31 December 2023 has been provided by management for these five actions, reflecting ongoing actions. Details are included at items at Appendix 2.
- 4.6 The remaining 19 management actions are not yet due for completion and implementation is currently being progressed by LPF.

## **5. Financial impact**

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- 5.1 Failure to close management actions and address the associated risks in a timely manner may have financial impacts which are not yet measurable.

## **6. Stakeholder/Regulatory Impact**

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- 6.1 IA recommendations are raised when control gaps or deficiencies are identified during audits. If management actions are not implemented, LPF will be exposed to the risks associated with the key processes, including the potential risk of non-compliance with applicable regulations.

## **7. Background reading/external references**

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- 7.1 [Public Sector Internal Audit Standards](#)
- 7.2 [Lothian Pension Fund – 2023/24 Internal Audit Annual Plan](#) – March 2023

## **8. Appendices**

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- Appendix 1 Internal Audit Report – Senior Managers and Certification Regime  
December 2023
- Appendix 2 LPF outstanding audit actions as at 6 November 2023.

## Internal Audit Report

### Lothian Pension Fund – Senior Managers and Certification Regime

Page 27

3 November 2023

LPF2304

<b>Overall Assessment</b>	<b>Reasonable Assurance</b>
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# Contents

Executive Summary .....	3
Background and scope.....	4
Findings and Management Action Plan.....	5
Appendix 1 – Control Assessment and Assurance Definitions.....	13

This Internal Audit review is conducted by the City of Edinburgh Council for the Lothian Pension Fund under the auspices of the 2023/24 internal audit plan approved by the Pensions Audit Sub-Committee in March 2023. The review is designed to help the Lothian Pension Fund assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards.

Although there are specific recommendations included in this report to strengthen internal control, it is management’s responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the Lothian Pension Fund. Communication of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and members as appropriate.

# Executive Summary

Overall Assessment	Reasonable assurance
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## Overall opinion and summary of findings

There is a generally sound system of governance, risk management and control in place for managing compliance with the key elements of the Senior Managers and Certification Regime (SM&CR). The following areas for improvement have been identified which may put at risk the achievement of objectives:

- there is no central repository of the SM&CR requirements and expectations for individuals. This would provide easy reference for those individuals that are Certified Individuals or hold the prescribed Senior Management Functions (SMF)
- the FCA expects individuals' prescribed responsibilities to be documented and a comprehensive responsibilities map to be in place. Although organisational roles are documented, these do not align to FCA-prescribed responsibilities as per Senior Management Arrangements, Systems and Controls sourcebook (SYSC) 24.2
- LPFI does not maintain an SMF Handover Policy which is a requirement of the SM&CR rules. Notwithstanding, we note that this process has operated as required during the period

- the SM&CR requirements stipulate specific activities / processes that organisations should operate when appointing individuals. Although a "recruitment flowchart" has been documented for guidance, there is no reference to the SM&CR requirements applicable to LPFI. Notwithstanding, we note that this process has operated as required during the period
- there is no documented approach to monitoring and evidencing ongoing compliance with the SM&CR requirements to enable the Board to monitor and gain assurance it operates in line with its SM&CR framework and demonstrate compliance with essential requirements.

## Management response

LPFI has developed a consolidated SMCR document, but it had not finalised or implemented ahead of the audit. LPFI acknowledge the findings in this audit, noting the recommendations are already integrated within our draft SMCR document. The timing of this review will also allow us to consider the review observations and make any further enhancements to our SMCR arrangements at this time.

Page 29

## Audit Assessment

Audit area	Control Design	Control Operation	Findings	Priority Rating
1. Senior Manager and Certified Individual Understanding			No findings noted	N/A
2. Identification of responsibilities and function			Finding 2 – Overall and Prescribed Responsibilities Finding 3 – SMF Handover Policy	Medium Priority
3. SM&CR Framework and policies			Finding 1 – SM&CR governance arrangements	Medium Priority
			Finding 4 – Appointment and induction process	Low Priority
			Finding 6 – Fitness and Propriety assessment process and procedures	Advisory
4. Conduct rules Implementation			Finding 5 – Oversight and governance	Medium Priority

# Background and scope

The [Senior Managers and Certification Regime](#) (SM&CR) was developed jointly by the [Financial Conduct Authority](#) (FCA) and the [Prudential Regulation Authority](#) (PRA) and is aimed at ensuring robust accountability and decision making within the Financial Services industry. The SM&CR was initially applied to the banking sector (banks, building societies, credit unions, and large investment firms) before it was expanded to all FCA-regulated firms from December 2019. The SM&CR includes:

- **Senior Manager Regime** - approval regime of individuals performing Senior Management Functions (SMFs). The most senior decision makers, or senior managers, at the organisation must be assessed as fit and proper, have clearly-defined responsibilities and be subject to enhanced conduct requirements, including the duty to take reasonable steps in fulfilling their responsibilities. Appointments to SMF roles require regulatory approval
- **Certification Regime** - organisations solely responsible for assessing the fitness and propriety of employees who could pose a risk of significant harm to the organisation or its customers. Organisations need to determine on appointment and then certify annually that they remain fit and proper to undertake their role
- **Conduct Rules** - conduct standards applicable to most employees for organisations. There is a specific code of conduct for SMFs that requires a higher standard of conduct than the code of conduct for all staff.

The SM&CR is applicable to LPFI Limited (LPFI), a wholly-owned subsidiary of Lothian Pension Fund established to support collaboration with other pension funds. LPFI holds the necessary FCA permissions to deliver investment services to partner pension funds and other professional investors. Since 2016, LPFI has provided investment advisory and arranging services to clients, which includes strategic investment advice.

In addition to investment advisory services, LPFI provides portfolio management services to other local government pension schemes.

## Scope

The objective of this review was to assess the governance framework in place to provide assurance of compliance with the key elements of the SM&CR.

## Risks

The review also provided assurance in relation to the following LPF risk:

- Regulatory breach - LPF do not meet regulatory obligations leading to enforcement action or fines and reputational damage.

## Limitations of Scope

- the scope of the review was limited to LPFI, its compliance with the requirements of the SM&CR regulations and the audit objective outlined above
- this review assessed the framework that supports LPFI in meeting its obligations in respect of the SM&CR regulations as set out in the audit areas within the [audit assessment](#). This review did not test or assure how an individual SMF manages their allocated function/responsibilities (for example, investment management, whistleblowing, risk management framework, or remuneration)
- re-performance of fitness and proprietary assessments of Senior Managers did not form part of this review
- the review covered the roles and responsibilities in operation at the time of review and did not include any future changes to SM&CR arrangements.

## Reporting Date

Testing was undertaken between 18 and 28 September 2023.

Our audit work concluded on 28 September 2023, and our findings and opinion are based on the conclusion of our work as at that date.

# Findings and Management Action Plan

Finding Rating	Medium Priority
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## Finding 1 – Senior Managers and Certification Regime governance arrangements

There is a good interpretation of the general Senior Managers and Certification Regime (SM&CR) rules on page 6-7 of the LPFI Compliance Manual, albeit this is high-level and does not provide detailed policy / guidance that we would typically expect to see. Specifically, the document does not include such detail on:

- processes for adhering to reasonable steps
- the importance of a handover document (including how to complete the handover process)
- how handover documents align with Board responsibilities and terms of reference to ensure compliance with the SM&CR regulatory requirements.

In the other documents provided for internal audit review, the LPF People and Communications Governance Manual refers to SM&CR regulations throughout the document; however, there is limited information on the organisation’s governance arrangements related to the SM&CR requirements. For example, for “Section 7 - Key Controls of Governance”, there is no mention of SM&CR, such as SM&CR fit and proper reviews, onboarding and handover, certification process and confirmation.

### Risk

**Regulatory breach** - current LPFI SM&CR arrangements may not meet regulatory expectations, and application of SM&CR requirements could be applied inconsistently leading to non-compliance with the FCA rules and regulations and a potential regulatory breach.

Page 31

## Recommendations and Management Action Plan: Senior Managers and Certification Regime governance arrangements

Ref.	Recommendation	Agreed Management Action	Owner	Lead Officers	Timeframe
1.1	a) LPFI should produce a specific document to outline its compliance with the SM&CR regulation. The document could include the below points to capture the SM&CR related governance arrangements:	LPFI will finalise our draft SMCR document and ensure suggested points are covered. This document also contains a Handover Policy and Responsibilities Map.	Chief Executive Officer, LPF	Chief Risk Officer, LPF Risk and Compliance Manager, LPF	31/01/2024

	<ul style="list-style-type: none"> <li>• a governance operating model, including committee structure across the three lines of defence (if 3LoD is applicable)</li> <li>• committee terms of reference, agendas, management information, and action plans (this is captured in part in the Annual LPF Group Governance Update document)</li> <li>• how the governance framework is aligned with the business objectives</li> <li>• SM&amp;CR training modules for new SMFs and Certified Individuals</li> <li>• ongoing certification requirements.</li> </ul> <p>b) The People and Communications Governance Manual should also be amended to include what the Consumer Duty (CD) Champion expects as evidence of compliance with CD expectations as per FCA guidelines. SM&amp;CR places the accountability and responsibility of the CD on one person.</p>	<p>LPFI only provides services to professional clients who are out of scope of Consumer Duty. LPFI will include a statement in our internal documentation noting we are currently out of scope of this regulation and should our business model change that we will revisit this regulation and update documentation, governance and processes as required.</p>	<p>Chief Executive Officer, LPF</p>	<p>Chief Risk Officer, LPF Risk and Compliance Manager, LPF</p>	<p>31/01/2024</p>
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## Finding 2 – Overall and prescribed responsibilities

Finding Rating	Medium Priority
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The Financial Conduct Authority (FCA) rules contain specific prescribed responsibilities that should be allocated to individuals. The Annual LPF Group Governance Update outlines the governance arrangements for the organisation including responsibilities of different committees. Page 5 of this document outlines what each executive manager is responsible for; however, there is no indication of actual SMC&R prescribed or overall responsibilities. These are not matched to the FCA prescribed responsibilities as per SYSC 24.2.

The LPFI Structure Charts outline the senior management and their teams and highlights if they are SMFs or Certified Individuals. There are no prescribed or overall responsibilities allocated to SMFs in this document (although these are contained in the Statement of Responsibilities for individual SMFs).

The FCA rules require a comprehensive and up-to-date document (the management responsibilities map) that describes its management and governance arrangements. The information typically found in a Management Responsibilities Map is captured elsewhere, notably the Annual LPF Group Governance Update. This does not provide a holistic view that demonstrates how responsibilities have been allocated.

### Risk

**Regulatory breach** - current LPFI SM&CR arrangements may not meet regulatory expectations, application of SM&CR requirements could be applied inconsistently leading to non-compliance with the FCA rules and regulations and a potential regulatory breach of SYSC 24.2 (Allocation of prescribed senior management responsibilities), and SYSC 25.2 (Documented responsibilities map), that describes its management and governance arrangement and the responsibilities shared or divided between individuals.

Page 33

## Recommendations and Management Action Plan: Overall and prescribed responsibilities

Ref.	Recommendation	Agreed Management Action	Owner	Lead Officers	Timeframe
2.1	<p><b>a) Prescribed responsibilities:</b> The Group Governance Update should clearly state governance arrangements for SM&amp;CR compliance. LPFI should produce a list of SMFs and Certified persons responsibilities in the standalone SM&amp;CR governance document as per recommendation one.</p> <p><b>b) Responsibilities Map:</b> LPFI should create a standalone document that would provide clarity on the SM&amp;CR arrangements in place for ease of reference for SMFs and Certified individuals.</p>	<p>a.1) LPF's Governance Overview will be updated to state governance arrangements for SMCR compliance</p> <p>a.2) SMF and Certified person responsibilities are addressed within the SMCR document and will be addressed as part of action 1.1</p> <p>b) A Responsibilities Map has already been drafted as part of the LPFI SMCR document. This action will be addressed as part of action 1.1.</p>	<p>Chief Executive Officer, LPF</p> <p>N/A</p>	<p>Company Secretary, LPF</p> <p>N/A</p>	<p>31/03/2024</p> <p>N/A</p>

## Finding 3 – Senior Management Functions handover policy

Finding  
Rating

Medium  
Priority

LPFI does not have a Senior Management Functions (SMF) Handover policy. Review of the handover document that was prepared for the incoming Chair concluded that it is generally fit for purpose and can be used as a template for future SMF handovers. However, the SM&CR rules require a documented handover policy.

We also assessed the handover document prepared for the outgoing Chair, to identify any gaps in expectations. We have outlined the below points:

- the priority items as per SYSC 25.9.7G (3) do not have a 'complete by' date. Page 5 states no timescales for priority matters, and without timescales it is difficult to monitor progress
- limited details of responsibilities being handed over to the new SMFs
- limited details on the systems and controls in place per the requirements of SYSC 25.9.5.

### Risk

**Regulatory breach** - LPFI may not comply with SYSC 25.9.4R (Handover procedures and documents). There is a risk that the current LPFI SM&CR arrangements do not meet regulatory expectations. As such, application of SM&CR requirements could be applied inconsistently leading to non-compliance with the FCA rules and regulations and a potential regulatory breach.

Page 34

### Recommendations and Management Action Plan: Senior Management Functions handover policy

Ref.	Recommendation	Agreed Management Action	Owner	Lead Officers	Timeframe
3.1	<p>A handover policy should be produced and included as part of the SM&amp;CR standalone document. As per FCA guidance, organisations must have a policy which explains how they comply with SYSC 25.9.4R rules about handover material.</p> <p>FCA guidance also states that the information and material in the handover policy should be practical and helpful and not just a record - LPFI should review if this is the case in this instance. The policy should include the Handover systems, controls it uses, and how the handover process is completed and recorded.</p>	A Handover Policy has already been drafted as part of the LPFI SMCR document. This action will be addressed as part of action 1.1	N/A	N/A	N/A

## Finding 4 – Appointment and induction process

Finding  
Rating

Low Priority

The Senior Managers and Certification Regime (SM&CR) requirements stipulate specific activities / processes that organisations should operate when appointing individuals. Although a “recruitment flowchart” has been documented for guidance, there is no reference to the SM&CR requirements applicable to LPFI.

Review of documentation relating to the appointment of the Chief Investment Officer and Non-Executive Director recruitment carried out by LPFI found that, while we can see that activities performed were aligned to expectations, the detailed policy and the flowchart does not sufficiently capture the process that is followed in practice.

### Risk

**Regulatory breach** - current LPFI induction process may not adequately define and address SM&CR requirements, and application of SM&CR requirements could be applied inconsistently leading to non-compliance with the FCA rules and regulations and a potential regulatory breach.

### Recommendations and Management Action Plan: Appointment and induction process

Page 35

Ref.	Recommendation	Agreed Management Action	Owner	Lead Officers	Timeframe
4.1	<p>LPFI should document its processes in line with regulatory expectations for appointment and induction to ensure steps are not missed. These should include:</p> <ul style="list-style-type: none"> <li>the fit and proper assessment for the initial appointment and the required regular assessments, criminal records check and regulatory references</li> <li>the 12-week rules</li> <li>individual responsibility duties</li> <li>certification regime</li> <li>individual conduct rules</li> <li>SMF and Certified roles and requirements for the Statement of Responsibilities.</li> </ul>	<p>The processes noted are included in the LPFI SMCR document already drafted. This action will be addressed as part of action 1.1.</p>	N/A	N/A	N/A

## Finding 5 – Oversight and governance

Finding  
Rating

Medium  
Priority

Organisations should have in place effective oversight and reporting arrangements that enable the Board to:

- monitor and ensure it operates in line with its SM&CR framework
- demonstrate compliance with SM&CR requirements.

In addition, prescribed responsibilities for the Chief Risk Officer include:

- responsibility for the organisation’s performance of its obligations under the SM&CR including implementation and oversight
- responsibility for the organisation’s performance of its obligations under the certification regime.

Key mechanisms to support and evidence the above can include:

- records of key decisions
- compliance monitoring and testing
- governance meetings
- audit trails.

Page 36

Although internal audit was able to see some evidence of the above via meeting agendas, committee reports and approved SM&CR documentation provided, LPFI does not have in place a formal documented policy / approach for ongoing evidencing and monitoring.

### Risk

**Regulatory breach** - absence of an agreed and documented approach to ongoing evidencing and monitoring of how the SM&CR framework is applied and monitored increases the risk of:

- issues in performance of LPFI’s obligations under the SM&CR going undetected
- LPFI being unable to articulate how it evidences compliance
- LPFI being unable to demonstrate how its approved persons maintain compliance (e.g., via records of key decisions and sufficient audit trails within each function of LPFI)
- the Chief Risk Officer being unable to meet the prescribed responsibilities allocated to them.

## Recommendations and Management Action Plan: Oversight and governance

Ref.	Recommendation	Agreed Management Action	Owner	Lead Officers	Timeframe
5.1	LPFI should agree and document its approach to monitoring and evidencing its ongoing compliance with the SM&CR requirements. This should form part of the overall governance arrangements, including the documented policies, procedures, processes, and systems. The specific areas will provide evidence of the oversight and monitoring of the SM&CR framework:	LPFI’s oversight and reporting arrangements for SMCR will be formally agreed and articulated to provide appropriate oversight and assurance to the LPFI Board and senior management regarding SMCR arrangements.	Chief Executive Officer, LPF	Company Secretary, LPF	30/04/2024





	<ul style="list-style-type: none"><li>• records of key decisions - documented significant decisions made by senior managers caught by SM&amp;CR, especially those decisions that have regulatory implications</li><li>• compliance monitoring and testing - documented results of compliance monitoring activities, including any identified issues and the actions taken to address them</li><li>• governance meetings - minutes of relevant governance meetings where SM&amp;CR related matters are discussed, including processes for minute taking, and collecting evidence of challenge</li><li>• audit trails - establish and maintain audit trails for key processes to demonstrate accountability and traceability (showing how approved persons and their teams make/act on key decisions).</li></ul>				
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## Finding 6 – Fitness and Propriety assessment process and procedures

Finding Rating	Advisory
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In our view, the Fitness and Propriety certification example document covers the FCA expectations and is generally fit for purpose. There is, however, an opportunity to improve this by providing additional detail and expanding on information provided regarding the candidate's experience and its relation to the role. This would provide for a more comprehensive document aligned to good practice.

# Appendix 1 – Control Assessment and Assurance Definitions

Control Assessment Rating		Control Design Adequacy	Control Operation Effectiveness
Well managed		Well-structured design efficiently achieves fit-for purpose control objectives	Controls consistently applied and operating at optimum level of effectiveness.
Generally Satisfactory		Sound design achieves control objectives	Controls consistently applied
Some Improvement Opportunity		Design is generally sound, with some opportunity to introduce control improvements	Conformance generally sound, with some opportunity to enhance level of conformance
Major Improvement Opportunity		Design is not optimum and may put control objectives at risk	Non-conformance may put control objectives at risk
Control Not Tested	N/A	Not applicable for control design assessments	Control not tested, either due to ineffective design or due to design only audit

## Overall Assurance Ratings

<b>Substantial Assurance</b>	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
<b>Reasonable Assurance</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
<b>No Assurance</b>	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

## Finding Priority Ratings

<b>Advisory</b>	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
<b>Low Priority</b>	An issue that results in a small impact to the achievement of objectives in the area audited.
<b>Medium Priority</b>	An issue that results in a moderate impact to the achievement of objectives in the area audited.
<b>High Priority</b>	An issue that results in a severe impact to the achievement of objectives in the area audited.
<b>Critical Priority</b>	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.

## Appendix 2: LPF Overdue actions as at 6 November 2023

Code	Audit	% Progress	Observation Title	Rating	Recommendation	Management Action	Status	Due Date	Revised Date	Status Update
LPF2003	LPF – Technology Model Development	<b>80%</b> 5 Actions 4 closed 1 in progress 1 overdue	LPF2003 Issue 3: Post-Implementation Activities	Medium Priority	LPF2003 Rec 3.1.2: Post-Implementation Activities	LPF have produced user manuals and documentation for key/business critical systems and will review the requirements and suitability of the currently available generic documentation for the others during 2022.	In Progress	31/12/2022	31/12/2023	All critical systems have documentation. Remaining systems to be reviewed to ascertain which still require operational procedures.
LPF2103	LPF Risk Management	<b>67%</b> 3 Actions 2 closed 1 in progress 1 overdue	LPF2103 Issue 2: Maintenance of risk registers	Low Priority	LPF2103 Rec 2.1 Recommendation: Maintenance of risk registers	Likewise, we will look to re-review the sub-group registers (and tie-in with main group register) with these points in mind We will consider within Risk Management Group (RMG) and report back through the usual channels with any updates arising.	In Progress	31/03/2023	31/12/2023	LPF's corporate risk register has been reviewed and updated to ensure as clearer articulation and evaluation of risks, supported by a revised risk assessment methodology. A risk taxonomy and definitions have been agreed to ensure consistency with reporting, and changes to the risk management framework have been communicated to all staff.
LPF2203	LPF - Third Party Supplier Management	<b>64%</b> 14 Actions 9 closed 5 in progress 3 overdue	LPF2203 - Issue 1: Supplier management processes for Critical Suppliers	High Priority	LPF2203 - Rec 1.1 Business Case Documentation for critical suppliers	LPF will review records for existing critical suppliers and ensure that business case documentation is stored in correct supplier files. Supplier management policy will be updated to specify where supplier records, such as business case, should be stored.	In Progress	30/09/2023	31/12/2023	Although some of the actions associated to this issue have been satisfactorily completed, there are some other actions that are directly relevant to the overall supplier management framework, which is not due to complete until 31/12/23. Consequently it is appropriate to extend the due date for this issue to 31/12/23 to tie into completion of the review of the supplier management framework.
				High Priority	LPF2203 - Recs 1.2 and 1.3 Training for Tier 1 supplier owners / due diligence	1.2 LPF will carry out targeted training for Tier 1 supplier owners on monitoring and consider appropriate oversight via RMG reporting. 1.3As part of action 1.2, targeted training will cover annual due diligence. Supplier framework document review will consider due diligence templates or checklists with set items, tailored to specific tiers.	In Progress	30/09/2023	31/12/2023	
			LPF2203 - Issue 5 Ongoing monitoring and oversight	Medium Priority	LPF2203 Rec 5.1 Enhancements to and review of supplier database	LPF will enhance existing supplier database to include additional data fields, including dates of IT assessment and DPIA, and links to full records. A review of the database will be established, with results provided to senior management as part of RMG oversight.	In Progress	30/09/2023	31/12/2023	





## **Pensions Audit Sub Committee**

2.00pm, Monday, 4 December 2023

### **Employer Performance and Data Quality Update**

**Item number 6.3**

#### **1. Recommendations**

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

- 1.1 note the report and highlight any points it would like to raise at the Pensions Committee on 5 December 2023.

**Karlynn Sokoluk**

Chief Operations Officer, Lothian Pension Fund

Contact: Diane Sinclair, Pensions Employer and Member Manager, Lothian Pension Fund

E-mail: [lpfgovernancecomms@lpf.org.uk](mailto:lpfgovernancecomms@lpf.org.uk) | Tel: 0333 996 1900

# Employer Performance and Data Quality Update

## 2. Executive Summary

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- 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 annual benefit statement production, the triennial valuation and data collection and analysis for the McCloud remedy. The Fund has also been preparing for the Pensions Dashboards programme and kept under review the data quality specified by The Pensions Regulator.

## 3. Background

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- 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 In 2021 the Fund procured an analytical tool from the software supplier which uses Tableau business intelligence and analytic software. This is powerful data interrogation and visualisation tool that continues to be developed to give the fund greater insight into the data held, membership dynamics and performance. The tool was delivered with a number of standard dashboards and reports including 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;

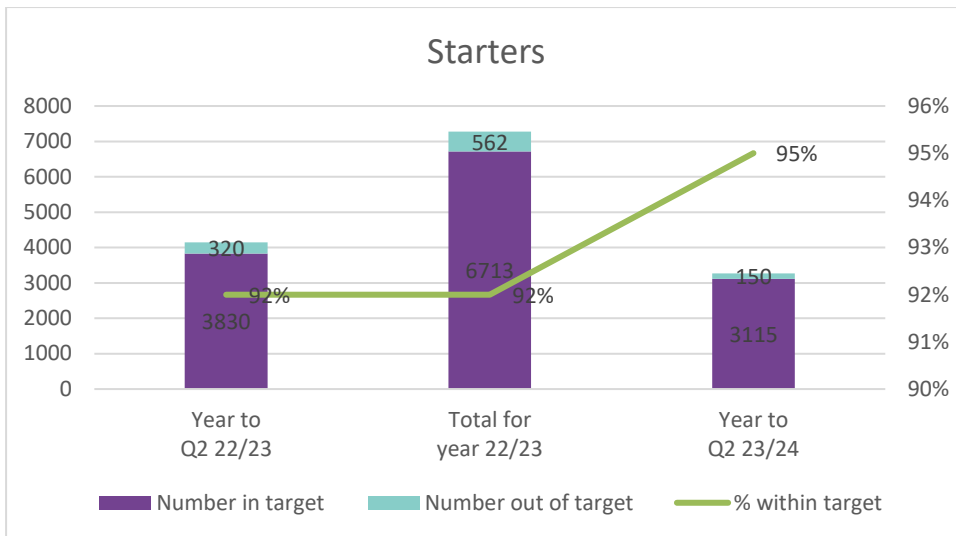
- 3.4.1 Contributions received later than the regulatory standard;
  - 3.4.2 Not regularly addressing membership data queries;
  - 3.4.3 Consistently failing to meet service standard for new starts, leavers, retirements and deaths, and no clear commitment to improve; and
  - 3.4.4 not submitting monthly 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 continues to collaborate with the supplier to integrate a document sharing facility with in the first portal. The first phase has been delivered to i-Connect allowing employers to submit forms which automatically creates a task and appends the document to the member's pension record. The second phase to allow an exchange of information between the Fund and its employers is expected during 2024. It is expected that the need for the second portal to be diminished.

## **4. Main Report**

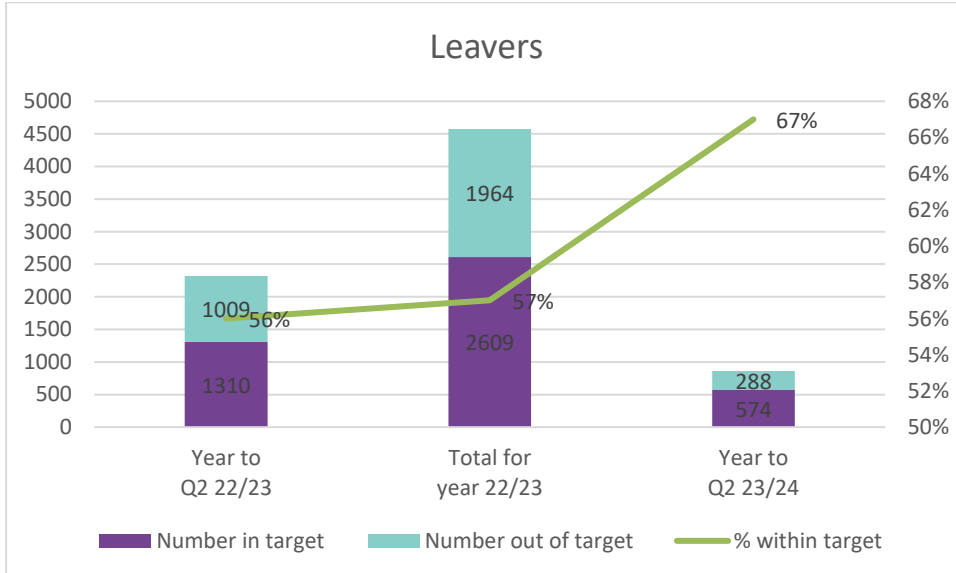
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### **Pension Administration Strategy (PAS) performance 2022/23, to date**

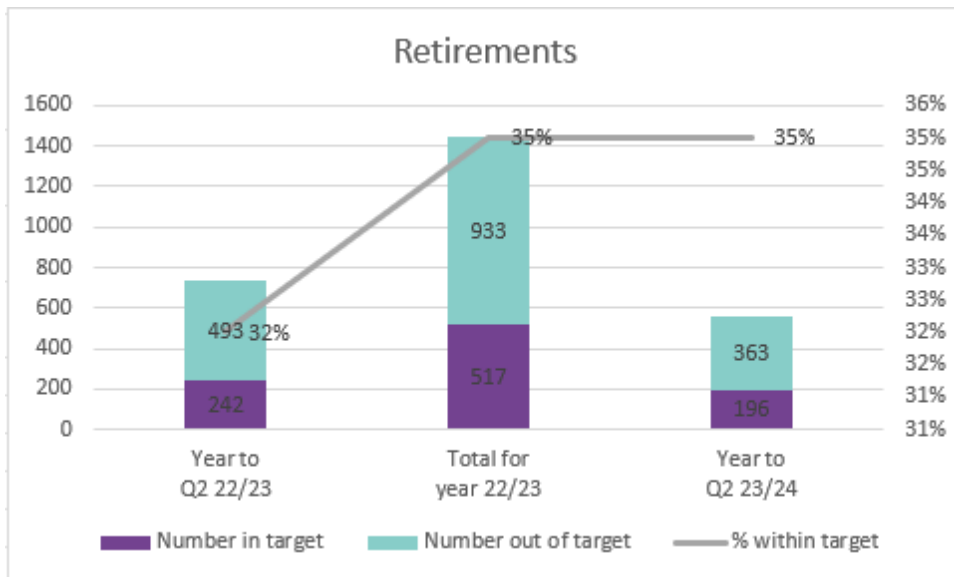
- 4.1 Fund-wide performance against PAS standards is reported each year in the Annual Report. Annual reports are issued to each employer outlining their own performance and comparing this to other employers of a similar size. Quarterly reports are also issued to the four Councils and on an exception basis to any employer whose performance merits specific intervention.
- 4.2 Improving employer performance continues to be a focus for the Fund, working with employers to find solutions to benefit both parties and ultimately the member.
- 4.3 Employers are expected to provide the information to create a new member record within 20 days of the month end in which the member joins. The following graph demonstrates that in this category employer performance continues to be high, with a 3% increase from the same 6 month period in 2022/23.



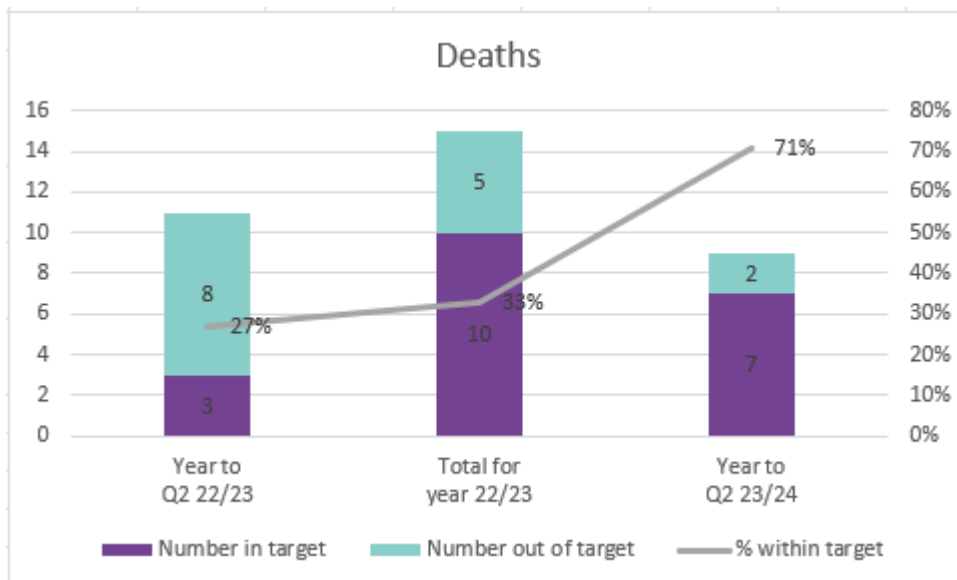
4.4 Leavers are to be submitted no later than 20 working days after the member’s date of leaving. Historically the largest employers have struggled to achieve greater than 50% of this target. Employers have put measures in place to combat outstanding forms and the Fund dropped the need to provide forms for member records with only post 2015 service. The last couple of years has seen a continuous improvement and the next graph shows an 11% increase from the same period from last year. The Fund will continue to work with employers to review processes and improve this grade, utilising improvements in technology.



4.5 With exception of ill-health retirements, completed retirement forms and any supplementary documents should be provided to the Fund at least 20 working days before the member’s date of leaving. This changes to no later than 5 working days after the member’s date of leaving for ill-health retirements. The overall performance continues to be low. The Fund has met with the underperforming employers to understand their processes and issues and is currently investigating how it can help employers improve.



4.6 A completed death in service form should be uploaded to the employer portal, with a copy of the death certificate if available, no later than 10 working days after the member’s date of death. Due to low numbers the percentage for this case type tends to fluctuate, but the performance total for 2022/23 was poor. Investigation highlighted some employers were waiting for additional information such as next of kin before advising the Fund of the member’s death. Advice was given that notification of date of death should be provided to the Fund as soon as this is known. The first 6 months of 2023/24 has seen an improvement.



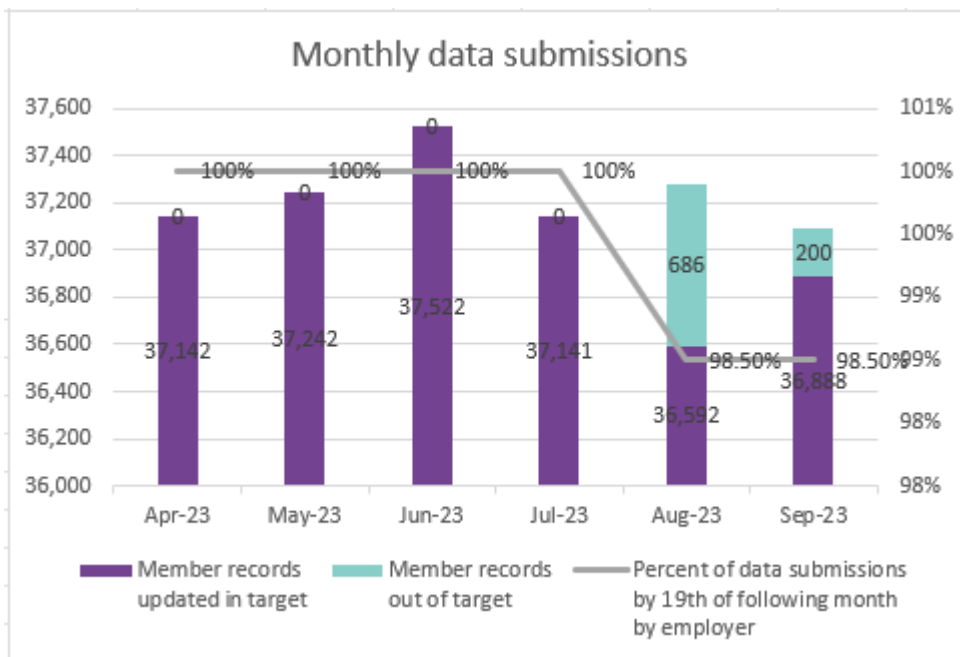
4.7 As previously advised to Pensions Committee, the PAS was reviewed to add an additional instance where employers may be charged for poor performance. Specifically, where an employer fails to achieve a performance level of 75% in target for the provision of early leaver and retirement information, an additional charge may be levied on an annual basis at the Fund’s discretion. Only on rare occasions has the Fund invoked a levy for poor employer performance. Although there is still

significant improvement to be made there has been an upturn in performance and work continues to maintain this trend. The Fund deems that invoking a levy whilst employers are engaging with the Fund and are showing improvement would be detrimental to the relationship.

4.8 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. The City of Edinburgh Council visited the Fund’s premises to participate in job shadowing, allowing both sides to gain insight into difficulties faced by one another. The Fund is also undertaking a review of what queries are raised with employers and how these are communicated. The aim is to reduce the burden on the employer. 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.

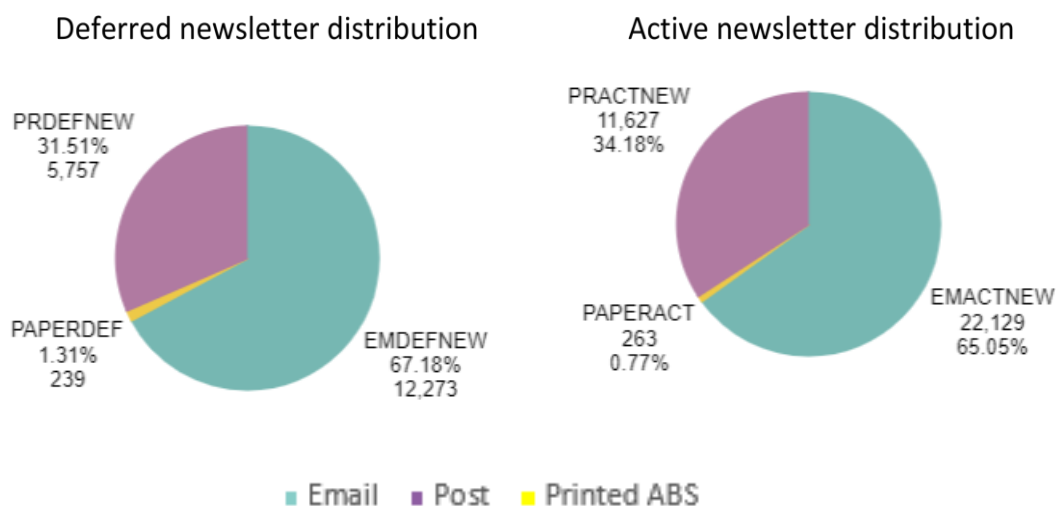
**Monthly Contribution (Data) Return - Submissions**

4.9 Employers are expected to provide extracts of their payroll using the employer portal, by the PAS target of 19th of each month after pension contributions have been deducted from pay. The following graph shows that all employers met the target for the first 4 months of 2023/24. For the August payroll 1 employer had issues with their submission but with help from the Fund was able to upload this on 20 September, only 1 day late. Another employer is currently changing their third party payroll administrator which has resulted in them missing the target of 19 October for their September file. This is still currently outstanding and the Fund is monitoring the situation.



## Annual Benefit Statement 2023 – data returns from employers

- 4.10 The March monthly data submission is due on the 19<sup>th</sup> April and concludes a full financial year's data that will be used to provide active members with their annual benefit statement. All employers supplied the March submission by the 2023 due date. The Fund evaluated the data and 4,794 pay queries were sent to 23 employers, 4,386 of these were for The City of Edinburgh Council.
- 4.11 A further 361 errors in data were found during the pre-production data cleanse, of which only 152 were queried with the employer. The Fund fixed the remaining 209 without involving the employer.
- 4.12 56,930 annual benefit statements (100% of in scope member records) were produced and published to the member online service by 31 July 2023. This was 1 month earlier than the statutory deadline of 31 August 2023. 20,604 of these statements were for deferred members.
- 4.13 The Fund issued newsletters to active and deferred members. Members who have more than pension record only received one newsletter. The following graphs show the number of newsletters issued split between those emailed, those posted and those who also received a printed copy of their annual benefit statement with the posted newsletter. Earlier in the year the Fund completed work to reduce the number of members being issued a printed copy of the statement. The first graph is deferred newsletter distribution followed by the active newsletter distribution.

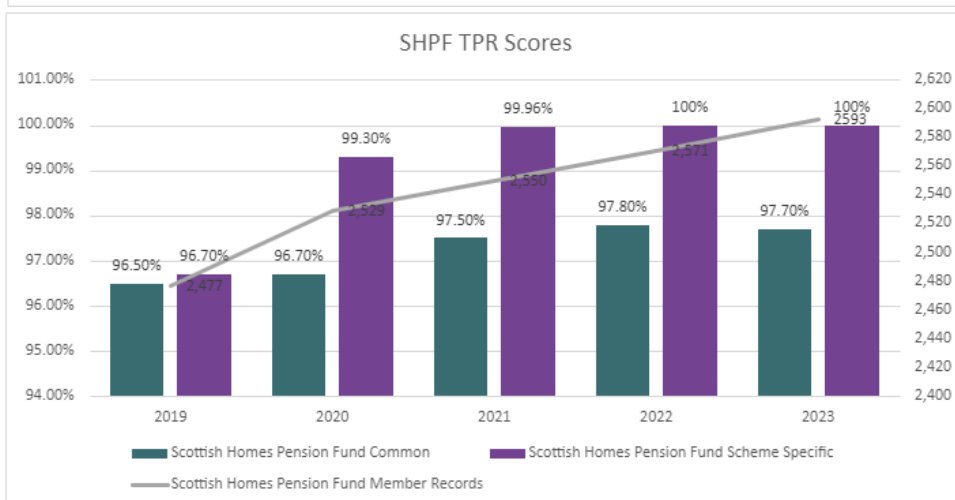
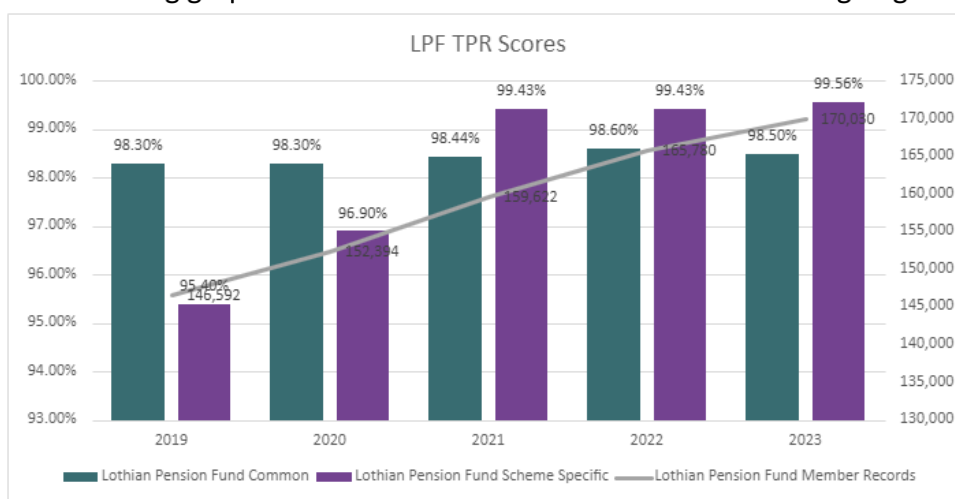


## Triennial Actuarial Valuation as at 31 March 2023

- 4.14 The Fund utilised the Actuary's data portal to validate and cleanse data prior to final submission on 17 July 2023. Additional commentary had to be sent for 855 issues. This had been reduced from 3,937 issues highlighted in a provisional file uploaded in April 2023. Final acceptance of the file by the Actuary was given on 18 August 2023.

## Management information and data quality monitoring

- 4.15 The Pensions Regulator (TPR) expects the quality of scheme data to be reviewed at least once a year and to calculate common and scheme specific data scores which are declared to them in the annual scheme return.
- 4.16 Common data is set by TPR and is applicable to all pension schemes, this is personal member data such as name and address. The Fund have completed the annual review of the common data held and will be declaring that 98.5% of records did not fail the common data tests for Lothian Pension Fund membership. For Scottish Homes Pension Fund membership the Fund will be declaring a score of 97.7%. Scheme specific data is data that is required to calculate member benefits and TPR leaves the data to be assessed to the scheme. For the 2023 scheme return the Fund will declare scores of 99.56% for Lothian Pension Fund and 100% for Scottish Homes Pension Fund. Full details of the tests completed are available in the documents “Lothian Pension Fund – Data Quality report 2023” and “Scottish Homes Pension Fund – Data Quality report 2023”.
- 4.17 The following graphs show the historic scores for both schemes going back to 2019.





- 4.18 As part of the annual data review the TPR recommends that a data improvement plan is created which sets out objectives to achieve better data. They also advise Funds to identify other work which may influence improvement work or affects resources. The Fund's Data Quality Improvement Plan 2023 is available and includes the Fund's objectives to maintain accurate data, trace "lost" member and prevent fraudulent claims.

#### **McCloud Remedy**

- 4.19 When the Local Government Pension Scheme changed from final salary to career average in 2015, older members were given some protections from the changes. The McCloud court case ruled that younger members had been discriminated against and should receive those same protections, known as the McCloud remedy or underpin.
- 4.20 The Fund, with the employers, has undertaken a significant assessment of data required to complete the checks for the remedy. This phase is near completion and service amendments to records will commence in the last months of 2023. This will be followed by a bulk calculation to highlight members subject to an underpin. This may also lead to some pension benefits already in payment to be recalculated.

#### **The Pensions Dashboards Programme**

- 4.21 The Pensions Dashboards Programme (PDP) is a government initiative that will enable individuals who have a UK pension not in payment to view online their pensions information in one place.
- 4.22 Due to delays with (PDP) the Fund's internal project has been placed on hold. Amendment regulations came into force on 9 August 2023 that confirm the final date for connecting to the PDP eco-system has been extended to 31 October 2026. However further guidance on staging dates is still awaited. The Fund will release a new project plan once this guidance has been published.

## **5. Financial impact**

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- 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**

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- 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**

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- 7.1 [Improve your scheme data | The Pensions Regulator](#)

## **8. Appendices**

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Appendix 1 – Scottish Homes Pension Fund – Data Quality Report 2023

Appendix 2 – Lothian Pension Fund – Data Quality Report 2023

Appendix 3 – Data Quality Improvement Plan 2023



# **Local Government Pension Scheme**

## **Data Quality Report**

### **Scottish Homes Pension Fund**

## Data Quality Report

Diane Sinclair

Pensions Employer and Member Manager

Lothian Pension Fund

Version October 2023

## Contents

### 1. Summary

- 1.1. Introduction
- 1.2. Data Quality Analysis Tool
- 1.3. Benchmark

### 2. TPR Test Results

- 2.1. TPR Common Data Test Results
- 2.2. TPR Scheme-specific Data Test Results
- 2.3. Historical Results

### 3. Analysis of Data Results

- 3.1. Membership Records in Scope
- 3.2. Summary of Common Data Results
- 3.3. Summary of Scheme-specific Data Results

### 4. Test Conditions and Exclusions

- 4.1. Common Data
- 4.2. Scheme-specific Data

## 1. Summary

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### 1.1 Introduction

The Pensions Regulator (TPR) is the UK regulator of work-based pensions schemes. It works with trustees, employers, pension specialists and business advisors giving guidance on what is expected of them when running, overseeing or advising a public service pension scheme. To manage a scheme properly the scheme needs to make sure it has accurate, complete and up-to-date records as failure to do so means the scheme is at risk of not meeting their legal obligations.

Scottish Homes Pension Fund (the Fund), in the role of scheme administrator, is expected to regularly review the quality of the scheme data but must do so at least once a year. TPR have created data quality measures for common and scheme-specific data and scores are based on data being present and accurate. These data scores are submitted in each scheme return to TPR.

### 1.2 Data Quality Analysis Tool

Since 2018 the Fund have employed Heywood's data quality service to test and analyse the data to satisfy TPR measures. This was carried out once a year using a cut of the Funds August data. Heywood would supply the overall scores and data quality reports. In April 2021 the Fund procured Heywood's new analytical tool "Insights" which uses tableau business intelligence software. The data quality tests and dashboards are included in the tool. This has given the Fund greater control as it allows access to results daily, giving comfort that the rectification work being undertaken is correct.

### 1.3 Benchmark and Data Types

TPR requires schemes to have effective processes for maintaining data and continually improving the quality of the data held. Analysis of data should cover such tests as

- checking there is data in all the fields as expected,
- checking data items are consistent with each other,
- checking data items are in a valid format.

TPR require schemes to validate 2 types of data, common and scheme-specific. Common data should be held by all schemes and can be used to uniquely identify members. This should include

- national insurance number,
- surname and forename or initials,
- gender,
- date of birth,
- date pensionable service started,
- membership status,
- address including postcode.

Scheme-specific data items are dependent on the scheme structure and design but should reflect the data necessary to calculate and pay benefits.

## 2. TPR Test Results

### 2.1 TPR Common Data 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 **97.7%**. This is the figure that will be quoted on the 2023 scheme return to TPR.

## Data Quality | Summary

97.7%

TPR Pass Rate %

### 2.2 TPR Scheme-specific Data Test Results

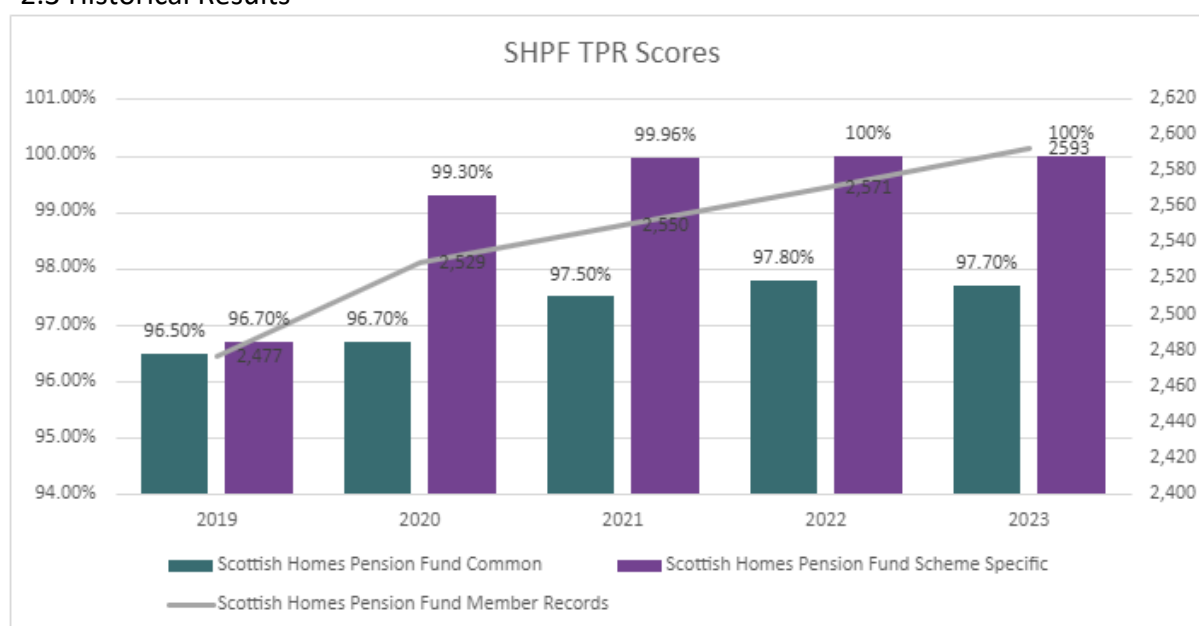
The percentage of member records that did not fail any of the tests deemed to be in the core list of TPR tests is **100%**. This is the figure that will be quoted on the 2023 scheme return to TPR.

## LGPS Scheme Specific Data Quality | Overall Summary

100.00%

TPR Pass Rate %

### 2.3 Historical Results



The common data score decreased by 0.1% from last year’s return whilst the scheme specific score was maintained at 100%.

### 3. Analysis of Data Results

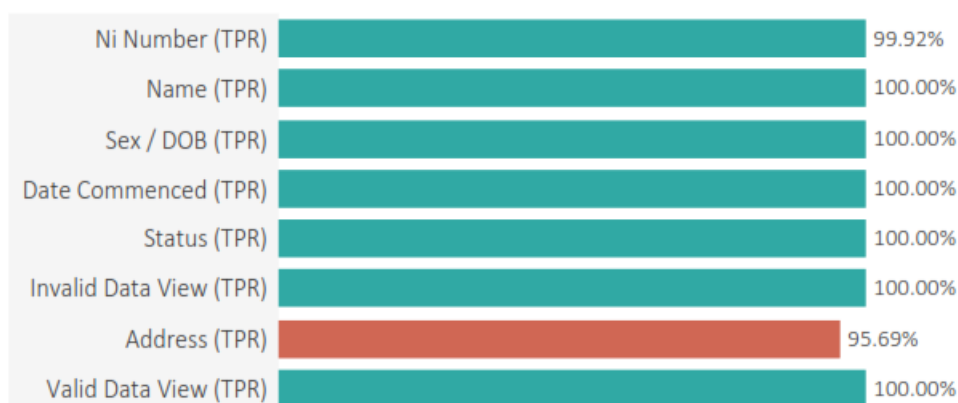
#### 3.1 Membership Records in Scope

The 2023 tests were conducted on 2,593 member records an increase of 22 from 2022. Not all member records are required to be tested under each data category. These are detailed in the section test conditions and exclusions.

#### 3.2 Summary of Common Data Results

The graph below indicates the Fund’s performance for each data category extracted on 29 September 2023.

TPR Pass Rate % by Test Category



The score for the Address category is the only category not to achieve 99% or above. The following table shows the breakdown of the number of records that failed this category’s tests.

Fail A: Address record does not exist	0
Fail B: Address record exists, but line 1 (ADD-LINE-1) is blank	0
Fail C: Gone Away (ADD-GONAWY) indicator is set	57
Fail D: Postcode is blank and address is not overseas	0
Fail E: Postcode format invalid and address is not overseas	0

57 member records are recorded as “gone away”. Details of the Fund’s proposals to improve this test score is outlined in the Data Improvement Plan.

#### 3.3 Summary of Scheme-specific Data Results

The following graph indicates the Fund’s performance for each data category extracted on 29 September 2023.



# Grand Total | TPR Pass Rate % by Test Category

Member Details	100.00%
Member Benefits	100.00%
CARE	100.00%
HMRC	100.00%
Contracting Out	100.00%

The following tables shows the percentage of members without a failure for the previous categories' tests.

Member Details	Date of Leaving	100.00%
	Leavers	100.00%
	Date Joined Scheme	100.00%
	Employer Details	100.00%
	Remuneration FS	100.00%
	Contributions	100.00%
	Service	100.00%
Member Benefits	Divorce Details	100.00%
	Transfer In 1	100.00%
	Transfer In 2	100.00%
	AVC Details	100.00%
	Total Deferred	100.00%
	Deferred Tranches	100.00%
	Total Pension	100.00%
	Pension Tranches	100.00%
	Total Dependant	100.00%
	Dep. Tranches	100.00%
CARE	CARE Data	100.00%

HMRC

BCE2	100.00%
BCE5	100.00%
BCE6	100.00%
BCE7	100.00%
BCE8	
LTA Charge	100.00%
AA Charge	

No Scottish Homes Pension Fund membership fell into scope for the BCE8 and AA Charge test criteria.

Contracting  
Out

Dt. Contracted Out	100.00%
NI History	100.00%
Pre 88 GMP	100.00%
Post 88 GMP	100.00%

#### 4. Test Conditions and Exclusions

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The following images have been taken from the data analysis tool and explains the how a record may fail a test condition and any members that may be excluded from the test.

##### 4.1 Common Data

The following tests were developed by Heywood Pension Technologies to fit the TPR guidance on common data quality testing.

Category	Fail Condition	Test Condition	Members Excluded from Test	Included in TPR Tests?	Additional TPR Exclusions / Notes
Address	Fail A	Address record does not exist	Leavers (Status 3) and Deaths (Status 7)	Yes	None
	Fail B	Address record exists, but line 1 (ADD-LINE-1) is blank	Leavers (Status 3) and Deaths (Status 7)	Yes	None
	Fail C	Gone Away (ADD-GONAWY) indicator is set	Leavers (Status 3) and Deaths (Status 7)	Yes	None
	Fail D	If the address is not overseas, the Postcode (POSTCODE) is blank	Leavers (Status 3) and Deaths (Status 7)	Yes	None
	Fail E	If the address is not overseas, the Postcode is not the correct format (1st letter =Q, V or X, 2nd letter is I, J or Z, 3rd, 4th or 5th character is not a space)	Leavers (Status 3) and Deaths (Status 7)	No	N/A

Date Commenced and NRD	Fail A	Date Joined fund (DJF / DJS) is blank	Status 6 or Status O or previous status 6	Yes	None
	Fail B	Date Joined Fund is earlier than Date of Birth plus 15 years	Status 6 or Status O or previous status 6	No	N/A

Name	Fail A	Surname (SURNAME) is blank	None	Yes	None
	Fail B	Forenames (FORENAMES) is blank	None	Yes	None
	Fail C	Initials (INITS) is blank	None	No	N/A

NI Number	Fail A	NI Number (NI-NUMBER) is blank	None	Yes	None
	Fail B	NI number is temporary (commences TN)	Child pension members (DEPN-D-TYPE = 'C'),	Yes	Current status 3 (no liability) and 7 (death) members excluded
	Fail C	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)	None	No	N/A
Sex and Date of Birth	Fail A	Sex (SEX) is blank	None	Yes	None
	Fail B	Sex is not Male or Female	None	Yes	None
	Fail C	Date of Birth (DOB) is blank	None	Yes	None
	Fail D	Date of Birth is earlier than or equal to 01/01/1900	Leavers (Status 3) and Deaths (Status 7)	Yes	None
Status	Fail A	Status (STATUSKEYF) is blank	None	Yes	None
	Fail B	Status is not 1-9, T or O	None	Yes	None
	Fail C	Status on member summary (STATUSKEYF) does not match that on basic details (STATUS[1])	None	No	N/A
Status and Invalid Data View	Fail A	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	As per Test Condition	No	N/A
	Fail B	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	As per Test Condition	No	N/A
		Pension details should not be present unless status			

## 4.2 Scheme-Specific

The following tests were developed by Heywood Pension Technologies in conjunction with the LGPS Scheme Advisory Board.

Category	Sub Category	Sub Category Eligibility	Fail Condition	Test Condition	Members Excluded from Test	Included In TPR Tests?	Additional TPR Exclusions / Notes
CARE	CARE Data	Current status is 1 or status is 2/4/5/9/A with date left is after the end of Final Salary, with a date joined fund prior to current CARE year start. (Day after last posting date). Member is not a pension credit member (CLASS = 'PC') or a England /Wales site councillor member (CLASS = 'CM')	Fail A	CARE service member has no main CARE tranche (CARE-BINCDE = 'LGPSMAIN' or 'LGPS5050')	member employments with no service (DJF to DATE-LEFT)/today or service history line spanning the period) between end of final salary and the last scheme posting date	No	N/A
			Fail B	Member has a valid CARE list entry (for a valid tranche code) ending on each 31March between Date Joined (or Care revaluation start or last rehire date (where status 4/9 exists with subsequent status 1) if later) and the current posting date (or date left if sooner)	members whose date left (DATE-LEFT) was prior to the first CARE revaluation date, or date joined (DJF) was after the last scheme posting date.	Yes	None
			Fail C	For each contribution entry during CARE accrual dated 31/03/yyyy (within the Fail B period above) with an amount over zero, there is a corresponding end date on the CARE benefit list that ended in the same scheme year with a valid tranche code with a salary amount over zero.	N/A	No	N/A
Contracting Out	Date Contracted Out	Current Status is 1, 2, 4, 5 or T. Member is not a pension credit member (employment type 'PC' excluded), and member does not have a reduced NI indicator (RED-NI) of XY or N	Fail A	Date contracted out SSPA75 is invalid or blank and DJF is prior to 6/4/16	DJF after 05/04/2016	Yes	None
			Fail B	Date contracted out SSPA75 is valid (not blank or on or before 01/01/1900) and prior to 05/04/1978	N/A	Yes	None
			Fail C	Date contracted out SSPA75 is later than 05/04/2016	N/A	Yes	None

NI Contributions/Earnings History	Current Status is 4 or 5, with date contracted out between 6/4/78 and 5/4/97. Member is not a pension credit member (employment type 'PC' excluded), and member does not have a reduced NI indicator (RED-NI) of X,Y or N, and NI Table (NI-TABLE) code is not 'E'	Fail A	A Status 4 member is missing Date Left Active Service (DATE-LEFT) or a Status 5 member is missing both Date Left Active Service and Date of Retirement (STATUS-DATE[1])	Null	Yes	None
		Fail B	For one or more period end NI posting, the amount is missing or zero	N/A	No	N/A
		Fail C	There is not a separate NI Contribution entry for each April 5th between Date Contracted Out and 5/4/97 (or 5/4 after Date Ret if earlier)	N/A	No	N/A
		Fail D	GMP is not present on the NI details for status 1 and 2 and on GMP details for status 4, 5 & T	Null	No	N/A
		Fail E	Both Fail C and Fail D occurred	Null	Yes	None
Post 88 GMP	Current Status is 4,5 or T, Date of leaving (DATE-LEFT) post 05/04/1988 and date of contracting out is prior to 05/04/1997. Member is not a pension credit member (employment type 'PC' excluded), and member does not have a reduced NI indicator (RED-NI) of X,Y or N, and member either had a service history entry with a Service Type of 'L', 'N', 'P' or 'R' and a Cont Out of SERPS indicator of 'Y' which covers a period between 06/04/1988 and 05/04/1997, or their current employment details (DCCPS to DATE-LEFT) on basic details span this period.	Fail A	Total GMP (GMP-T-DOL) at exit is missing or zero	Null	Yes	None
		Fail B	Post 88 GMP (GMP-T-ADOL) at exit is missing or zero	Null	Yes	None
		Fail C	Post 88 GMP at Exit (GMP-T-ADOL) is not divisible by 52	Null	Yes	None
Pre 88 GMP	Current Status is 4,5 or T, Date of leaving (DATE-LEFT) post 06/04/1978 and date of contracting out is prior to 06/04/1988. Member is not a pension credit member (employment type 'PC' excluded), and member does not have a reduced NI indicator (RED-NI) of X,Y or N, and member either had a service history entry with a Service Type of 'L', 'N', 'P' or 'R' and a Cont Out of SERPS indicator of 'Y' which covers a period between 06/04/1978 and 05/04/1988, or their current employment details (DCCPS to DATE-LEFT) on basic details span this period.	Fail A	Total GMP (GMP-T-DOL) at exit is missing or zero	Null	Yes	None
		Fail B	Total GMP at exit (GMP-T-DOL) less post 88 GMP at exit (GMP-T-ADOL) is negative	Null	Yes	None
		Fail C	Total GMP at exit (GMP-T-DOL) less post 88 GMP at exit (GMP-T-ADOL) is not divisible by 52	Null	Yes	None

HMRC	AA Charge	Current Status is 1	Fail A	Employments' latest annual allowance PIP end date (AAL-PIPEND) is prior to the latest expected PIP end date OR member has missing AA Dataview and date joined (DJF) is prior to AA PIP Date Override	Employments that have a status 4 or 9 with date left prior to the last expected PIP end date, and a subsequent status 1 date after the expected PIP end date	Yes	None
			Fail B	Employment has an annual allowance entry where either the scheme pays indicator (AAL-SCHPAY) is set but the scheme pays debit amount (AAL-SPGSH1) is not greater than zero, or vice versa	N/A	No	N/A
BCE2	Current status is 5 or T with status date after 05/04/2006	Fail A	Latest crystallisation date (CRYS-CRSYSD) entry is missing, is not a valid date or is earlier than date left	Employment Type = 'PC'	Yes	None	
		Fail B	PLA amount (CRYS-PLA) is blank or zero	N/A	Yes	None	
		Fail C	PLA % (CRYS-PLAPC) is blank or zero and amount is > 0.01% of sum of Used (CRUS-PLAUN) and Unused PLA Amounts (CRYS-PLAUS)	N/A	No	N/A	
BCE5	Current status is 4 or T	Fail A	Member is aged over 75	N/A	No	N/A	
BCE6	Current status is 5 or T with status date after 05/04/2006, and aged under 75 at the status date	Fail A	Latest crystallisation date (CRYS-CRSYSD) entry is missing, is not a valid date or is earlier than date left	N/A	No	N/A	
		Fail B	Member has retirement grant (PEN-TOT-AL > 0) but PCLS (CRYS-PCLS) is blank	Retirement Grant (PEN-TOT-AL) blank or zero	Yes	None	
		Fail C	There is a serious ill health crystallisation date (CRYS-ILLD) but no amount (CRYS-ILLA), or vice versa	N/A	No	N/A	
BCE7	Current Status is 7, and current status date is post 05/04/2006 and within 5 years of status 5 date entry	Fail A	Death grant (CDTC-TOTLS) is blank or zero	N/A	No	N/A	
		Fail B	Death grant (CDTC-TOTLS) is greater than zero, but the crystallisation amount (CDTC-CVAL) or percent (CDTC-CVALP) is blank or zero and amount is > 0.01% of sum of Used (CRUS-PLAUN) and Unused PLA Amounts (CRYS-PLAUS)	Death grant (CDTC-TOTLS) greater than 0	No	N/A	

	BCEB	Current status is 3 and date left (DATE-LEFT) is after 05/04/2006, and have a overseas transfer date present (CRYS-TFRD)	Fail A	overseas transfer date present (CRYS-TFRD) is blank or invalid, or earlier than date left	N/A	No	N/A
			Fail B	QROPS transfer amount (CRYS-TFRA) is blank or zero	N/A	No	N/A
			Fail C	DOB is not a valid date	N/A	No	N/A
			Fail D	Age at transfer dates (CRYS-TFRD) is 75 or greater	N/A	No	N/A
	LTA Charge	Current status is 5 or T with status date after 05/04/2006, and doesn't have either all enhanced protection or PCLS payment BCE data fields completed (i.e. both CRYS-BCEVD/CRYS-BCEVA/CRYS-BCEVI and CRYS-PPD / CRYS-PPA / CRYS-PPI are not all present)	Fail A	the total PLA used percentage (CRYS-TPPC) is greater than 100, but no LTA charge amount is completed (CRYS-LTACH and CRYS-LTA25 and CRYS-LTA55 are all blank or zero)	Total PLA used percentage (CRYS-TPPC) is less than or equal to 100	Yes	None
Member Benefits	AVC Details	Current Status is 1, 2, 4, 5 or T with a AVC Details record present	Fail A	Contract start date (AVC-START) is blank or invalid (incl. on or before 01/01/1900)	N/A	Yes	Non current status 1, 2 or 4
			Fail B	Contract end date (AVC-TE-DUE) is blank, invalid (incl. on or before 01/01/1900) or prior to the start date (AVC-START)	N/A	No	N/A
			Fail C	If the contract type (AVC-TYPE) is an added years type ("A", "B", "G", "L", "P", "R" or "S") but the added years amount (AVC-ADDY) is blank or zero	N/A	Yes	Non current status 1, 2 or 4
			Fail D	If the contract type (AVC-TYPE) is an added pension ("H" or "M") but the bought pension amount (AVC-P75T) is blank or zero, or greater than or equal to the scheme maximum	N/A	Yes	Non current status 1, 2 or 4
	Divorce	Current Status is 1, 2, 4, 5 or T with a Pension Sharing Record present	Fail A	Initial pension value (DVC-TOTINI) is missing	N/A	Yes	None
			Fail B	Calculation date (DVC-CALDTE) blank or before 01/12/2000	N/A	Yes	None



		Fail C	Payment date (DVC-PAYDTE) blank or before 01/12/2000	N/A	Yes	None
		Fail D	Pension credit amount (DVC-TVAMT) is missing or zero	N/A	Yes	None
		Fail E	Pension debit amount (DVC-CONAMT) is missing or zero	N/A	Yes	None
		Fail F	Percentage split (DVC-PCSPLT) is missing or zero or over 100.00	N/A	Yes	None
Total Gross Dependant Pension	Current Status is 6	Fail A	Total initial pension value (DEP-TOT-IP) is missing or zero	N/A	Yes	None
		Fail B	Total initial pension value (DEP-TOT-IP) is present, but less than a nominal amount	N/A	No	N/A
		Fail C	Total current pension value (DEP-TOT-CP) is missing or zero	N/A	Yes	None
		Fail D	Total current pension value (DEP-TOT-CP) is present, but less than a nominal amount	N/A	No	N/A
		Fail E	Date for PI calculation (DEP-INC-DT) must be present	N/A	Yes	None
Total Gross Pension	Current Status is 5 or T	Fail A	Total initial pension value (PEN-TOT-IP) is missing or zero	N/A	Yes	None
		Fail B	Total initial pension value (PEN-TOT-IP) is present, but less than a nominal amount	N/A	No	N/A

		Fail C	Total current pension value (PEN-TOT-CP) is missing or zero	N/A	Yes	None
		Fail D	Total current pension value (PEN-TOT-CP) is present, but less than a nominal amount	N/A	No	N/A
		Fail E	Date for PI calculation must be present and later than date joined fund (DJF)	N/A	Yes	None
Total Original Deferred Benefit	Current Status is 4	Fail A	Total initial pension value (DEF-TOT-IP) is missing or zero	N/A	Yes	None
		Fail B	Total initial pension value (DEF-TOT-IP) is present, but less than a nominal amount	N/A	No	N/A
		Fail C	Total current pension value (DEF-TOT-CP) is missing or zero	N/A	Yes	None
		Fail D	Total current pension value (DEF-TOT-CP) is present, but less than a nominal amount	N/A	No	N/A
		Fail E	PI Calculation date (DEF-INC-DT) is missing or invalid, or prior to earliest of date joined fund (DJF) or any Previous Scheme From Date where Transfer Type = 'INTERFND'	N/A	Yes	None
		Fail F	First entry of PI calculated date (DEF-PI-DT[1]) is missing is prior to the scheme's last PI date	employments with a date left following the scheme's last PI date	No	N/A
Tranches of Dependant Pension	Current Status is 6	Fail A	PEN pension type (DEP-TYPE) has a value (DEP-I-PEN) less than or equal to a nominal amount	N/A	Yes	None
		Fail B	Latest PI calculated date (PEN-PI-DT) is missing is prior to the scheme's last PI date	N/A	No	N/A

	Tranches of Original Deferred Benefit	Current Status is 4	Fail A	A 'PEN' pension type (DEF-TYPE) does not exist or has an initial value less than a nominal amount.	N/A	Yes	None
			Fail B	Initial Pension (DEF-I-PEN) components for (DEF-TYPE) PEN + UPEN + TAPE does not equal total initial pension (DEF-TOT-IP)	N/A	No	N/A
			Fail C	an employment with service between accrual rate change and end of final salary with a missing or less than a nominal value (DEF-I-PEN) PN60 (DEF-TYPE) pension component.	Councillor members(CLASS = 'CM') (in England/Wales sites only) or Pension Credit (CLASS = 'PC'). Members whose service dates (either from DJF to DATE-LEFT) or on service history (with SERV-TYPE = 'L') do not span the period from accrual change to end of final salary (01/04/2008 to 31/03/2014 in England and Wales)	Yes	None
			Fail D	Member with post FS End service has no 'CARE' (DEF-TYPE) tranche or has one with a value (DEF-I-PEN) less than or equal to a nominal figure	Councillor members(CLASS = 'CM') (in England/Wales sites only) or Pension Credit (CLASS = 'PC'). Members whose date of leaving (DATE-LEFT) is pre final salary end date.	Yes	None
			Fail E	Member with 50/50 CARE tranche (CARE-BNCDE = 'LGPSS050' Or 'TWINL50') has no corresponding pension component (DEF-TYPE = 'CPS0') or one with a value (DEF-I-PEN) less than or equal to a nominal figure	N/A	No	N/A
			Fail F	Member with pre FS accrual change service has no 'RA' (DEF-TYPE) tranche or has one with a value (DEF-I-PEN) less than or equal to a nominal amount	Pension Credit (CLASS = 'PC') or members whose date of joining (DJF) and any service history line that starts (HIST-START) after the FS accrual rate change date	No	N/A
	Tranches of Pension	Current Status is 5 or T	Fail A	PEN pension type (PEN-TYPE) has an initial value less than a nominal amount.	N/A	No	N/A
			Fail B	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	Councillor members(CLASS = 'CM') (in England/Wales sites only) or Pension Credit (CLASS = 'PC'). Or Members whose service history periods (with SERV-TYPE = 'L') do not span the period from accrual change to end of final salary (01/04/2008 to 31/03/2014 in England and Wales)	Yes	None
			Fail C	Member with post FS end service has no 'CARE' (PEN-TYPE) tranche or has one with a value (PEN-I-PEN) less than or equal to a nominal figure	Councillor members(CLASS = 'CM') (in England/Wales sites only) or Pension Credit (CLASS = 'PC'). Or members whose date of leaving (DATE-LEFT) is pre final salary end date.	Yes	None
			Fail D	Member with 50/50 CARE tranche (CARE-BNCDE = 'CARE5050' Or 'TWIN5050') has no corresponding pension component (PEN-TYPE = 'CPS0') or one with a value (PEN-I-PEN) less than or equal to a nominal figure	N/A	Yes	None

			Fail E	First entry of PI calculated date (PEN-PI-DT[1]) is missing or is prior to the scheme's last PI date (or if the first component is 'GMP' and the PI calculated date is missing or prior to the 6th April prior to the last PI date)	employments with a date left following the scheme's last PI date or those with an 'X' PI Marker (PEN-PI-MKR) or an 'A' PI Marker (PEN-PI-MKR)	Yes	None
			Fail F	PEN or GMP is not the first pension type (PEN-TYPE)	N/A	No	N/A
Transfer In Details 1	Current Status is 1, 2, 4, 5 or T with a Transfer Details record present	Fail A	Transfer Received date (ADD-TV-DT) is blank or on or before 01/01/1900	N/A	N/A	Yes	Non current status 1, 2 or 4
		Fail B	Transfer value (ADD-TV) is blank or zero	Interfund (ADD-TYPE = 'INTERFND') transfers received pre accrual change date for England and Wales funds (pre end of final salary accrual for Scotland and NI) that credited (ADD-BS-CR) less than 183 days service	N/A	Yes	Non current status 1, 2 or 4
		Fail C	Back service credit (ADD-BS-CR) and retained pension (ADD-RETP) are both blank or zero.	N/A	N/A	No	N/A
		Fail D	Back service credit (ADD-BS-CR) is present, but service history does not have entry starting (HIST-START) on the same date and the transfer service start (ADD-FROM)	Transfers with no back service credit (ADD-BS-CR = 0 or blank)	N/A	No	N/A
		Fail E	Transfer type (ADD-TYPE) is not valid (one of 'CLUB', 'INTERFND', 'NON CLUB', 'PERSONAL', 'RESTITUTIO' or 'INTRA-FND')	N/A	N/A	No	N/A
		Fail F	Date received (ADD-TV-DT) is blank, invalid (on or before 01/01/1900) or earlier than date joined fund (DJF)	N/A	N/A	No	N/A
Transfer In Details 2	Current Status is 1, 2, 4, 5 or T with a Transfer Details record present	Fail A	Previous scheme (ADD-PR-SCH) and previous employer (ADD-PR-EMP) are both blank	N/A	N/A	No	N/A
Member Details	Contributions	Current Status is 1, 2, 4, 5, 9 or T and member is not pension credit member (CLASS <=> 'PC') and member is not a casual worker (PART-TIME <=> 'C') and date joined fund is greater than 15 days from the Variable Input Posting Date.	Fail A	Total Paid Including Interest (TCI-TOTAL) is blank or less than (or equal to) a small figure (default of £1.00) agreed with customer	Employment type (CLASS) is Councillor (CM) or Date Joined Fund (DJF) equal to or later than the last posting date or member is non-active (not status '1' or '2') and date left is prior to Minimum non-active date- override	No	N/A
			Fail B	For status 1 members the latest cont date (CONT-DATE) prior to the last posting date and have a corresponding figure (SCH-CONT) (not 0)	Current status not '1' or DJF Date Joined Fund (DJF) equal to or later than the last posting date	No	N/A

Date Joined Scheme	Current Status is 1, 2, 4, 5, 9 or T and member is not pension credit member (CLASS <=> PC)	Fail A	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	N/A	Yes	None
		Fail B	Date Joined Fund (DJF) is earlier or equal to Date of Birth (DOB) plus 15 years	Null DATE-LEFT or DOB	No	N/A
Date of Leaving	Current Status is 1, 2, 4, 5, 9 or T and member is not pension credit member (CLASS <=> PC)	Fail A	Non-active member has blank or invalid date left (DATE-LEFT)	Status 1	Yes	None
		Fail B	Date joined fund (DJF) blank or on or before 01/01/1900	Status 1	Yes	None
		Fail C	Date joined fund (DJF) later than or equal to date left (DATE-LEFT)	Status 1, Fail A cases	Yes	None
		Fail D	Date Left (DATE-LEFT) present for an active member without a previous status 4 or 9	Status not 1 or has previous status 4 or 9 entry	No	N/A
Employer Details	Current Status is 1, 2, 4, 5, 9 or T and member is not pension credit member (CLASS <=> PC)	Fail A	Current employer (LOCATION) is blank	N/A	Yes	None
		Fail B	Date Joined employer (DT-JOIN-EM) is either blank or earlier than or equal to 1/1/1900	N/A	Yes	None
		Fail C	Date Joined employer (DT-JOIN-EM) must be earlier than date of birth (DOB) plus 15 years	Null DT-JOIN-EMP or DOB	No	N/A
		Fail D	Employment type (CLASS) is blank	N/A	No	N/A

Leavers	Current Status is 4, 5, 9 or T and member is not pension credit member (CLASS <=> 'PC')	Fail A	Date Left (DATE-LEFT) is either blank or is earlier than or equal to 1/1/1900	N/A	Yes	None
		Fail B	Date Joined Scheme (DJF) is either blank or is earlier than or equal to 1/1/1900	N/A	Yes	None
		Fail C	Date Left (DATE-LEFT) is earlier than Date Joined Scheme (DJF)	Null DATE-LEFT or DJF	No	N/A
Salary (Final Salary members)	Current Status is 1, 2, 4, 5, 9 or T with service start date (HIST-START) (or date joined fund (DJF) if no service history present) prior to the final salary accrual end date, and member is not pension credit member (CLASS <=> 'PC')	Fail A	Blank or invalid latest Pensionable Remuneration Date (PEN-REM-DT)	Employment type (CLASS) is Councillor (CM)	Yes	Non current status 1, 2 or 4
		Fail B	For non-active members, neither of the last two pensionable remuneration dates (PEN-REM-DT) equal the member's date of leaving (DATE-LEFT)	Current status (STATUS) is 1, 2 or 9; or Employment type (CLASS) is Councillor (CM)	No	N/A
		Fail C	The latest Remuneration entry is on a valid date (PEN-REM-DT) but has no amount (PEN-REM)	N/A	No	N/A
		Fail D	Deferred with no, or less than (or equal to) a nominal, Final Pay (DEF-PENREM) value	Not current status 4	No	N/A
		Fail E	Pensioner with no, or less than (or equal to) a nominal, Final Pay (PEN-PS-REM) value	Not current status 5 or T	No	N/A
		Fail F	Active without a pensionable remuneration entry on or after the latest posting date	Not current status 1, Employment type (CLASS) is Councillor (CM)	No	N/A
Service	Current Status is 1, 2, 4, 5, 9 or T and member is not pension credit member (CLASS <=> 'PC')	Fail A	If DCCPS > DJF, and DJF < 31/03/2014 (15 S&NI)) then service history must be present	N/A	No	N/A



## **Local Government Pension Scheme**

### **Data Quality Report**

### **Lothian Pension Fund**

# Data Quality Report

Diane Sinclair

Pensions Employer and Member Manager

Lothian Pension Fund

Version October 2023



## Contents

### **1. Summary**

- 1.1. Introduction
- 1.2. Data Quality Analysis Tool
- 1.3. Benchmark and Data Types

### **2. TPR Test Results**

- 2.1. TPR Common Data Test Results
- 2.2. TPR Scheme-specific Data Test Results
- 2.3. Historical Results

### **3. Analysis of Data Results**

- 3.1. Membership Records in Scope
- 3.2. Summary of Common Data Results
- 3.3. Summary of Scheme-specific Data Results

### **4. Test Conditions and Exclusions**

- 4.1. Common Data
- 4.2. Scheme-specific Data

## 1. Summary

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### 1.1 Introduction

The Pensions Regulator (TPR) is the UK regulator of work-based pensions schemes. It works with trustees, employers, pension specialists and business advisors giving guidance on what is expected of them when running, overseeing or advising a public service pension scheme. To manage a scheme properly the scheme needs to make sure it has accurate, complete and up-to-date records as failure to do so means the scheme is at risk of not meeting their legal obligations.

Scottish Homes Pension Fund (the Fund), in the role of scheme administrator, is expected to regularly review the quality of the scheme data but must do so at least once a year. TPR have created data quality measures for common and scheme-specific data and scores are based on data being present and accurate. These data scores are submitted in each scheme return to TPR.

### 1.2 Data Quality Analysis Tool

Since 2018 the Fund have employed Heywood's data quality service to test and analyse the data to satisfy TPR measures. This was carried out once a year using a cut of the Funds August data. Heywood would supply the overall scores and data quality reports. In April 2021 the Fund procured Heywood's new analytical tool "Insights" which uses tableau business intelligence software. The data quality tests and dashboards are included in the tool. This has given the Fund greater control as it allows access to results daily, giving comfort that the rectification work being undertaken is correct.

### 1.3 Benchmark and Data Types

TPR requires schemes to have effective processes for maintaining data and continually improving the quality of the data held. Analysis of data should cover such tests as

- checking there is data in all the fields as expected,
- checking data items are consistent with each other,
- checking data items are in a valid format.

TPR require schemes to validate 2 types of data, common and scheme-specific. Common data should be held by all schemes and can be used to uniquely identify members. This should include

- national insurance number,
- surname and forename or initials,
- gender,
- date of birth,
- date pensionable service started,
- membership status,
- address including postcode.

Scheme-specific data items are dependent on the scheme structure and design but should reflect the data necessary to calculate and pay benefits.

## 2. TPR Test Results

### 2.1 TPR Common Data 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 **98.5%**. This is the figure that will be quoted on the 2023 scheme return to TPR.

## Data Quality | Summary

98.5%

TPR Pass Rate %

### 2.2 TPR Scheme-specific Data Test Results

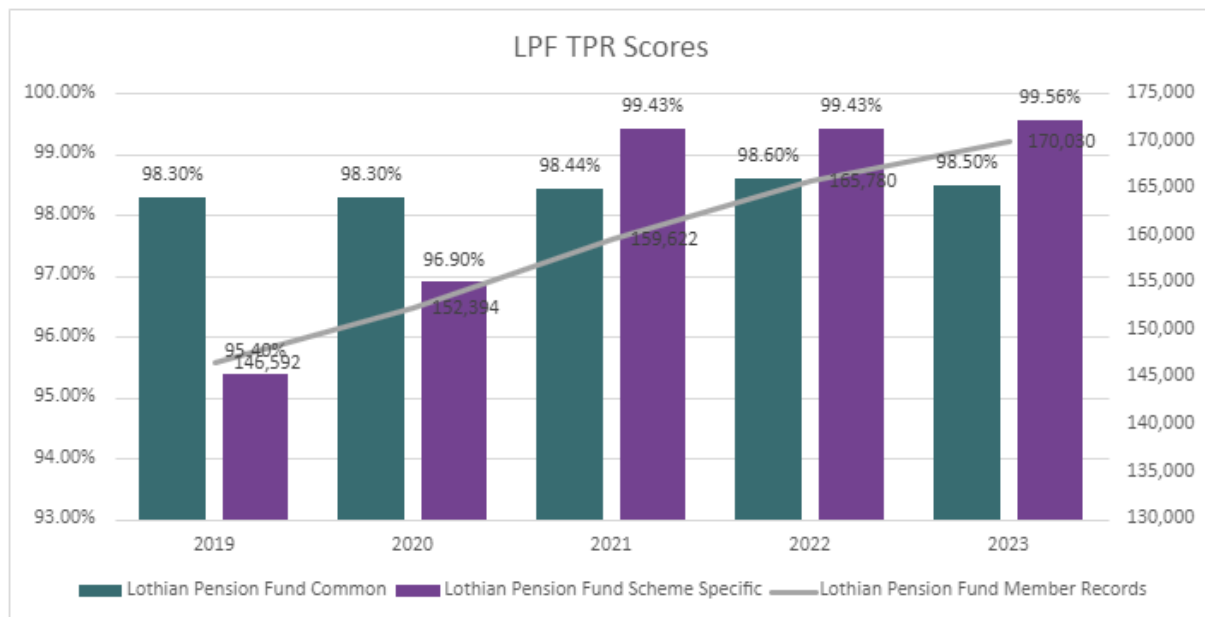
The percentage of member records that did not fail any of the tests deemed to be in the core list of TPR tests is **99.56%**. This is the figure that will be quoted on the 2023 scheme return to TPR.

## LGPS Scheme Specific Data Quality | Overall Summary

99.56%

TPR Pass Rate %

### 2.3 Historical Results



The common data score decreased by 0.1% from last year's return whilst the scheme specific score increased by 0.13%.

### 3. Analysis of Data Results

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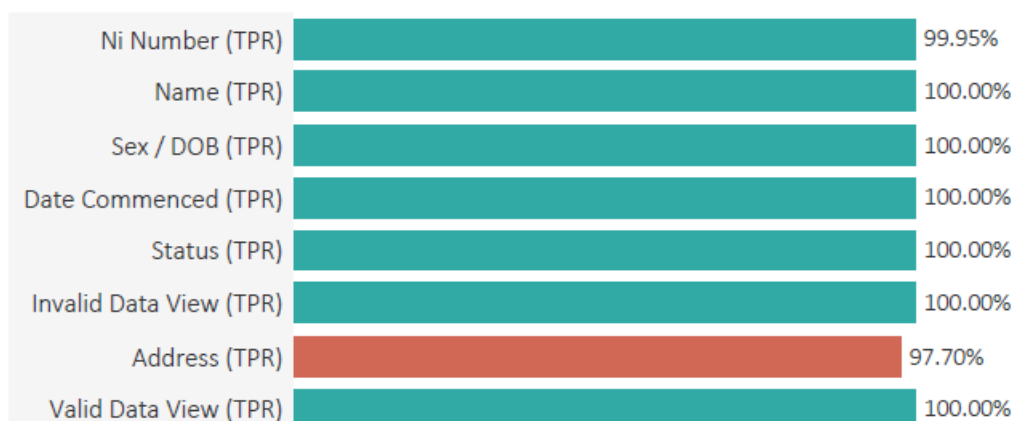
#### 3.1 Membership Records in Scope

The 2023 tests were conducted on 170,030 member records an increase of 4,250 from 2022. Not all member records are required to be tested under each data category. These are detailed in the section test conditions and exclusions.

#### 3.2 Summary of Common Data Results

The graph below indicates the Fund's performance for each data category extracted on 29 September 2023.

TPR Pass Rate % by Test Category



The score for the Address category is the only category not to achieve 99% or above. The following table shows the breakdown of the number of records that failed this category's tests.

Fail A: Address record does not exist	2
Fail B: Address record exists, but line 1 (ADD-LINE-1) is blank	7
Fail C: Gone Away (ADD-GONAWY) indicator is set	2,072
Fail D: Postcode is blank and address is not overseas	7
Fail E: Postcode format invalid and address is not overseas	188

2,072 member records are recorded as "gone away". Details of the Fund's proposals to improve this test score is outlined in the annual Data Improvement Plan.

#### 3.3 Summary of Scheme-specific Data Results

The following graph indicates the Fund's performance for each data category extracted on 29 September 2023.

## Grand Total | TPR Pass Rate % by Test Category

Member Details	99.99%
Member Benefits	99.70%
CARE	99.25%
HMRC	99.91%
Contracting Out	99.91%

The following tables shows the percentage of members without a failure for the previous categories' tests.

Member Details	Date of Leaving	99.99%
	Leavers	100.00%
	Date Joined Scheme	100.00%
	Employer Details	100.00%
	Remuneration FS	99.99%
	Contributions	100.00%
	Service	100.00%
Member Benefits	Divorce Details	100.00%
	Transfer In 1	100.00%
	Transfer In 2	100.00%
	AVC Details	99.94%
	Total Deferred	100.00%
	Deferred Tranches	99.40%
	Total Pension	99.99%
	Pension Tranches	99.87%
	Total Dependant	99.88%
	Dep. Tranches	99.95%
	CARE Data	99.25%
HMRC	BCE2	99.96%
	BCE5	100.00%
	BCE6	99.95%
	BCE7	100.00%
	BCE8	100.00%
	LTA Charge	99.94%
	AA Charge	99.90%



## 4. Test Conditions and Exclusions

The following images have been taken from the data analysis tool and explains the how a record may fail a test condition and any members that may be excluded from the test.

### 4.1 Common Data

The following tests were developed by Heywood Pension Technologies to fit the TPR guidance on common data quality testing.

Category	Fail Condition	Test Condition	Members Excluded from Test	Included in TPR Tests?	Additional TPR Exclusions / Notes
Address	Fail A	Address record does not exist	Leavers (Status 3) and Deaths (Status 7)	Yes	None
	Fail B	Address record exists, but line 1 (ADD-LINE-1) is blank	Leavers (Status 3) and Deaths (Status 7)	Yes	None
	Fail C	Gone Away (ADD-GONAWY) indicator is set	Leavers (Status 3) and Deaths (Status 7)	Yes	None
	Fail D	If the address is not overseas, the Postcode (POSTCODE) is blank	Leavers (Status 3) and Deaths (Status 7)	Yes	None
	Fail E	If the address is not overseas, the Postcode is not the correct format (1st letter =Q, V or X, 2nd letter is I, J or Z, 3rd, 4th or 5th character is not a space)	Leavers (Status 3) and Deaths (Status 7)	No	N/A
Date Commenced and NRD	Fail A	Date Joined fund (DJF / DJS) is blank	Status 6 or Status O or previous status 6	Yes	None
	Fail B	Date Joined Fund is earlier than Date of Birth plus 15 years	Status 6 or Status O or previous status 6	No	N/A

Name	Fail A	Surname (SURNAME) is blank	None	Yes	None
	Fail B	Forenames (FORENAMES) is blank	None	Yes	None
	Fail C	Initials (INITS) is blank	None	No	N/A
NI Number	Fail A	NI Number (NI-NUMBER) is blank	None	Yes	None
	Fail B	NI number is temporary (commences TN)	Child pension members (DEPN-D-TYPE = 'C'),	Yes	Current status 3 (no liability) and 7 (death) members excluded
	Fail C	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)	None	No	N/A
Sex and Date of Birth	Fail A	Sex (SEX) is blank	None	Yes	None
	Fail B	Sex is not Male or Female	None	Yes	None
	Fail C	Date of Birth (DOB) is blank	None	Yes	None
	Fail D	Date of Birth is earlier than or equal to 01/01/1900	Leavers (Status 3) and Deaths (Status 7)	Yes	None
Status	Fail A	Status (STATUSKEYF) is blank	None	Yes	None
	Fail B	Status is not 1-9, T or O	None	Yes	None
	Fail C	Status on member summary (STATUSKEYF) does not match that on basic details (STATUS[1])	None	No	N/A

Status and Invalid Data View	Fail A	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	As per Test Condition	No	N/A
	Fail B	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	As per Test Condition	No	N/A
		Pension details should not be present unless status			

## 4.2 Scheme-Specific

The following tests were developed by Heywood Pension Technologies in conjunction with the LGPS Scheme Advisory Board.

Category	Sub Category	Sub Category Eligibility	Fail Condition	Test Condition	Members Excluded from Test	Included in TPR Tests?	Additional TPR Exclusions / Notes
CARE	CARE Data	Current status is 1 or status is 2/4/5/9/A with date left is after the end of Final Salary, with a date joined fund prior to current CARE year start. (Day after last posting date). Member is not a pension credit member (CLASS = 'PC') or a England /Wales site councillor member (CLASS = 'CM')	Fail A	CARE service member has no main CARE tranche (CARE-BVNCDE = 'LGPSMAIN' or 'LGPS5050')	member employments with no service (DJF to DATE-LEFT)/today or service history line spanning the period) between end of final salary and the last scheme posting date	No	N/A
			Fail B	Member has a valid CARE list entry (for a valid tranche code) ending on each 31March between Date Joined (or Care revaluation start or last rehire date (where status 4/9 exists with subsequent status 1) if later) and the current posting date (or date left if sooner)	members whose date left (DATE-LEFT) was prior to the first CARE revaluation date, or date joined (DJF) was after the last scheme posting date.	Yes	None
			Fail C	For each contribution entry during CARE accrual dated 31/03/yyyy (within the Fail B period above) with an amount over zero, there is a corresponding end date on the CARE benefit list that ended in the same scheme year with a valid tranche code with a salary amount over zero.	N/A	No	N/A
Contracting Out	Date Contracted Out	Current Status is 1, 2, 4, 5 or T. Member is not a pension credit member (employment type 'PC' excluded), and member does not have a reduced NI indicator (RED-NI) of X,Y or N	Fail A	Date contracted out SSPA75 is invalid or blank and DJF is prior to 6/4/16	DJF after 05/04/2016	Yes	None
			Fail B	Date contracted out SSPA75 is valid (not blank or on or before 01/01/1900) and prior to 06/04/1978	N/A	Yes	None
			Fail C	Date contracted out SSPA75 is later than 05/04/2016	N/A	Yes	None



NI Contributions/Earnings History	Current Status is 4 or 5, with date contracted out between 6/4/78 and 5/4/97. Member is not a pension credit member (employment type 'PC' excluded), and member does not have a reduced NI indicator (RED-NI) of X,Y or N, and NI Table (NI-TABLE) code is not 'E'	Fail A	A Status 4 member is missing Date Left Active Service (DATE-LEFT) or a Status 5 member is missing both Date Left Active Service and Date of Retirement (STATUS-DATE[1])	Null	Yes	None
		Fail B	For one or more period end NI posting, the amount is missing or zero	N/A	No	N/A
		Fail C	There is not a separate NI Contribution entry for each April 5th between Date Contracted Out and 5/4/97 (or 5/4 after Date Ret if earlier)	N/A	No	N/A
		Fail D	GMP is not present on the NI details for status 1 and 2 and on GMP details for status 4, 5 & T	Null	No	N/A
		Fail E	Both Fail C and Fail D occurred	Null	Yes	None
Post 88 GMP	Current Status is 4,5 or T, Date of leaving (DATE-LEFT) post 05/04/1988 and date of contracting out is prior to 05/04/1997. Member is not a pension credit member (employment type 'PC' excluded), and member does not have a reduced NI indicator (RED-NI) of X,Y or N, and member either had a service history entry with a Service Type of 'L', 'N', 'P' or 'R' and a Cont Out of SERPS indicator of 'Y' which covers a period between 06/04/1988 and 05/04/1997, or their current employment details (DCCPS to DATE-LEFT) on basic details span this period.	Fail A	Total GMP (GMP-T-DOL) at exit is missing or zero	Null	Yes	None
		Fail B	Post 88 GMP (GMP-T-ADOL) at exit is missing or zero	Null	Yes	None
		Fail C	Post 88 GMP at Exit (GMP-T-ADOL) is not divisible by 52	Null	Yes	None
Pre 88 GMP	Current Status is 4,5 or T, Date of leaving (DATE-LEFT) post 06/04/1978 and date of contracting out is prior to 06/04/1988. Member is not a pension credit member (employment type 'PC' excluded), and member does not have a reduced NI indicator (RED-NI) of X,Y or N, and member either had a service history entry with a Service Type of 'L', 'N', 'P' or 'R' and a Cont Out of SERPS indicator of 'Y' which covers a period between 06/04/1978 and 05/04/1988, or their current employment details (DCCPS to DATE-LEFT) on basic details span this period.	Fail A	Total GMP (GMP-T-DOL) at exit is missing or zero	Null	Yes	None
		Fail B	Total GMP at exit (GMP-T-DOL) less post 88 GMP at exit (GMP-T-ADOL) is negative	Null	Yes	None
		Fail C	Total GMP at exit (GMP-T-DOL) less post 88 GMP at exit (GMP-T-ADOL) is not divisible by 52	Null	Yes	None

HMRC	AA Charge	Current Status is 1	Fail A	Employments' latest annual allowance PIP end date (AAL-PIPEND) is prior to the latest expected PIP end date OR member has missing AA Dataview and date joined (DJF) is prior to AA PIP Date Override	Employments that have a status 4 or 9 with date left prior to the last expected PIP end date, and a subsequent status 1 date after the expected PIP end date	Yes	None
			Fail B	Employment has an annual allowance entry where either the scheme pays indicator (AAL-SCHPAY) is set but the scheme pays debit amount (AAL-SPGSH1) is not greater than zero, or vice versa	N/A	No	N/A
BCE2	Current status is 5 or T with status date after 05/04/2006	Fail A	Latest crystallisation date (CRYS-CRSYSD) entry is missing, is not a valid date or is earlier than date left	Employment Type = 'PC'	Yes	None	
		Fail B	PLA amount (CRYS-PLA) is blank or zero	N/A	Yes	None	
		Fail C	PLA % (CRYS-PLAPC) is blank or zero and amount is > 0.01% of sum of Used (CRUS-PLAUN) and Unused PLA Amounts (CRYS-PLAUS)	N/A	No	N/A	
BCE5	Current status is 4 or T	Fail A	Member is aged over 75	N/A	No	N/A	
BCE6	Current status is 5 or T with status date after 05/04/2006, and aged under 75 at the status date	Fail A	Latest crystallisation date (CRYS-CRSYSD) entry is missing, is not a valid date or is earlier than date left	N/A	No	N/A	
		Fail B	Member has retirement grant (PEN-TOT-AL > 0) but PCLS (CRYS-PCLS) is blank	Retirement Grant (PEN-TOT-AL) blank or zero	Yes	None	
		Fail C	There is a serious ill health crystallisation date (CRYS-ILLD) but no amount (CRYS-ILLA), or vice versa	N/A	No	N/A	
BCE7	Current Status is 7, and current status date is post 05/04/2006 and within 5 years of status 5 date entry	Fail A	Death grant (CDTC-TOTLS) is blank or zero	N/A	No	N/A	
		Fail B	Death grant (CDTC-TOTLS) is greater than zero, but the crystallisation amount (CDTC-CVAL) or percent (CDTC-CVALP) is blank or zero and amount is > 0.01% of sum of Used (CRUS-PLAUN) and Unused PLA Amounts (CRYS-PLAUS)	Death grant (CDTC-TOTLS) greater than 0	No	N/A	

	BCEB	Current status is 3 and date left (DATE-LEFT) is after 05/04/2006, and have a overseas transfer date present (CRYS-TFRD)	Fail A	overseas transfer date present (CRYS-TFRD) is blank or invalid, or earlier than date left	N/A	No	N/A
			Fail B	QROPS transfer amount (CRYS-TFRA) is blank or zero	N/A	No	N/A
			Fail C	DOB is not a valid date	N/A	No	N/A
			Fail D	Age at transfer dates (CRYS-TFRD) is 75 or greater	N/A	No	N/A
	LTA Charge	Current status is S or T with status date after 05/04/2006, and doesn't have either all enhanced protection or PCLS payment BCE data fields completed (i.e. both CRYS-BCEVD/CRYS-BCEVA/CRYS-BCEVI and CRYS-PPD / CRYS-PPA / CRYS-PPI are not all present)	Fail A	the total PLA used percentage (CRYS-TPPC) is greater than 100, but no LTA charge amount is completed (CRYS-LTACH and CRYS-LTA25 and CRYS-LTA55 are all blank or zero)	Total PLA used percentage (CRYS-TPPC) is less than or equal to 100	Yes	None
Member Benefits	AVC Details	Current Status is 1, 2, 4, 5 or T with a AVC Details record present	Fail A	Contract start date (AVC-START) is blank or invalid (incl. on or before 01/01/1900)	N/A	Yes	Non current status 1, 2 or 4
			Fail B	Contract end date (AVC-TE-DUE) is blank, invalid (incl. on or before 01/01/1900) or prior to the start date (AVC-START)	N/A	No	N/A
			Fail C	If the contract type (AVC-TYPE) is an added years type ("A", "B", "G", "L", "P", "R" or "S") but the added years amount (AVC-ADDY) is blank or zero	N/A	Yes	Non current status 1, 2 or 4
			Fail D	If the contract type (AVC-TYPE) is an added pension ("H" or "M") but the bought pension amount (AVC-P75T) is blank or zero, or greater than or equal to the scheme maximum	N/A	Yes	Non current status 1, 2 or 4
	Divorce	Current Status is 1, 2, 4, 5 or T with a Pension Sharing Record present	Fail A	Initial pension value (DVC-TOTINI) is missing	N/A	Yes	None
			Fail B	Calculation date (DVC-CALDTE) blank or before 01/12/2000	N/A	Yes	None

		Fail C	Payment date (DVC-PAYDTE) blank or before 01/12/2000	N/A	Yes	None
		Fail D	Pension credit amount (DVC-TVAMT) is missing or zero	N/A	Yes	None
		Fail E	Pension debit amount (DVC-CONAMT) is missing or zero	N/A	Yes	None
		Fail F	Percentage split (DVC-PCSPLT) is missing or zero or over 100.00	N/A	Yes	None
Total Gross Dependant Pension	Current Status is 6	Fail A	Total initial pension value (DEP-TOT-IP) is missing or zero	N/A	Yes	None
		Fail B	Total initial pension value (DEP-TOT-IP) is present, but less than a nominal amount	N/A	No	N/A
		Fail C	Total current pension value (DEP-TOT-CP) is missing or zero	N/A	Yes	None
		Fail D	Total current pension value (DEP-TOT-CP) is present, but less than a nominal amount	N/A	No	N/A
		Fail E	Date for PI calculation (DEP-INC-DT) must be present	N/A	Yes	None
Total Gross Pension	Current Status is 5 or T	Fail A	Total initial pension value (PEN-TOT-IP) is missing or zero	N/A	Yes	None
		Fail B	Total initial pension value (PEN-TOT-IP) is present, but less than a nominal amount	N/A	No	N/A

		Fail C	Total current pension value (PEN-TOT-CP) is missing or zero	N/A	Yes	None
		Fail D	Total current pension value (PEN-TOT-CP) is present, but less than a nominal amount	N/A	No	N/A
		Fail E	Date for PI calculation must be present and later than date joined fund (DJF)	N/A	Yes	None
Total Original Deferred Benefit	Current Status is 4	Fail A	Total initial pension value (DEF-TOT-IP) is missing or zero	N/A	Yes	None
		Fail B	Total initial pension value (DEF-TOT-IP) is present, but less than a nominal amount	N/A	No	N/A
		Fail C	Total current pension value (DEF-TOT-CP) is missing or zero	N/A	Yes	None
		Fail D	Total current pension value (DEF-TOT-CP) is present, but less than a nominal amount	N/A	No	N/A
		Fail E	PI Calculation date (DEF-INC-DT) is missing or invalid, or prior to earliest of date joined fund (DJF) or any Previous Scheme From Date where Transfer Type = 'INTERFND'	N/A	Yes	None
		Fail F	First entry of PI calculated date (DEF-PI-DT[1]) is missing is prior to the scheme's last PI date	employments with a date left following the scheme's last PI date	No	N/A
Tranches of Dependant Pension	Current Status is 6	Fail A	PEN pension type (DEP-TYPE) has a value (DEP-I-PEN) less than or equal to a nominal amount	N/A	Yes	None
		Fail B	Latest PI calculated date (PEN-PI-DT) is missing is prior to the scheme's last PI date	N/A	No	N/A

	Tranches of Original Deferred Benefit	Current Status is 4	Fail A	A 'PEN' pension type (DEF-TYPE) does not exist or has an initial value less than a nominal amount.	N/A	Yes	None
			Fail B	Initial Pension (DEF-I-PEN) components for (DEF-TYPE) PEN + UPEN + TAPE does not equal total initial pension (DEF-TOT-IP)	N/A	No	N/A
			Fail C	an employment with service between accrual rate change and end of final salary with a missing or less than a nominal value (DEF-I-PEN) PN60 (DEF-TYPE) pension component.	Councillor members(CLASS = 'CM') (in England/Wales sites only) or Pension Credit (CLASS = 'PC'). Members whose service dates (either from DJF to DATE-LEFT) or on service history (with SERV-TYPE = 'L') do not span the period from accrual change to end of final salary (01/04/2008 to 31/03/2014 in England and Wales)	Yes	None
			Fail D	Member with post FS End service has no 'CARE' (DEF-TYPE) tranche or has one with a value (DEF-I-PEN) less than or equal to a nominal figure	Councillor members(CLASS = 'CM') (in England/Wales sites only) or Pension Credit (CLASS = 'PC'). Members whose date of leaving (DATE-LEFT) is pre final salary end date.	Yes	None
			Fail E	Member with 50/50 CARE tranche (CARE-BNCDE = 'LGPSS050' Or 'TWINL50') has no corresponding pension component (DEF-TYPE = 'CP50') or one with a value (DEF-I-PEN) less than or equal to a nominal figure	N/A	No	N/A
			Fail F	Member with pre FS accrual change service has no 'RA' (DEF-TYPE) tranche or has one with a value (DEF-I-PEN) less than or equal to a nominal amount	Pension Credit (CLASS = 'PC') or members whose date of joining (DJF) and any service history line that starts (HIST-START) after the FS accrual rate change date	No	N/A
	Tranches of Pension	Current Status is 5 or T	Fail A	PEN pension type (PEN-TYPE) has an initial value less than a nominal amount.	N/A	No	N/A
			Fail B	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	Councillor members(CLASS = 'CM') (in England/Wales sites only) or Pension Credit (CLASS = 'PC'). Or Members whose service history periods (with SERV-TYPE = 'L') do not span the period from accrual change to end of final salary (01/04/2008 to 31/03/2014 in England and Wales)	Yes	None
			Fail C	Member with post FS end service has no 'CARE' (PEN-TYPE) tranche or has one with a value (PEN-I-PEN) less than or equal to a nominal figure	Councillor members(CLASS = 'CM') (in England/Wales sites only) or Pension Credit (CLASS = 'PC'). Or members whose date of leaving (DATE-LEFT) is pre final salary end date.	Yes	None
			Fail D	Member with 50/50 CARE tranche (CARE-BNCDE = 'CARE5050' Or 'TWIN5050') has no corresponding pension component (PEN-TYPE = 'CP50') or one with a value (PEN-I-PEN) less than or equal to a nominal figure	N/A	Yes	None

			Fail E	First entry of PI calculated date (PEN-PI-DT[1]) is missing or is prior to the scheme's last PI date (or if the first component is 'GMP' and the PI calculated date is missing or prior to the 6th April prior to the last PI date)	employments with a date left following the scheme's last PI date or those with an 'X' PI Marker (PEN-PI-MKR) or an 'A' PI Marker (PEN-PI-MKR)	Yes	None
			Fail F	PEN or GMP is not the first pension type (PEN-TYPE)	N/A	No	N/A
Transfer In Details 1	Current Status is 1, 2, 4, 5 or T with a Transfer Details record present	Fail A	Transfer Received date (ADD-TV-DT) is blank or on or before 01/01/1900	N/A	N/A	Yes	Non current status 1, 2 or 4
		Fail B	Transfer value (ADD-TV) is blank or zero	Interfund (ADD-TYPE = 'INTERFND') transfers received pre accrual change date for England and Wales funds (pre end of final salary accrual for Scotland and NI) that credited (ADD-BS-CR) less than 183 days service	N/A	Yes	Non current status 1, 2 or 4
		Fail C	Back service credit (ADD-BS-CR) and retained pension (ADD-RETP) are both blank or zero.	N/A	N/A	No	N/A
		Fail D	Back service credit (ADD-BS-CR) is present, but service history does not have entry starting (HIST-START) on the same date and the transfer service start (ADD-FROM)	Transfers with no back service credit (ADD-BS-CR = 0 or blank)	N/A	No	N/A
		Fail E	Transfer type (ADD-TYPE) is not valid (one of 'CLUB', 'INTERFND', 'NON CLUB', 'PERSONAL', 'RESTITUTIO' or 'INTRA-FND')	N/A	N/A	No	N/A
		Fail F	Date received (ADD-TV-DT) is blank, invalid (on or before 01/01/1900) or earlier than date joined fund (DJF)	N/A	N/A	No	N/A
Transfer In Details 2	Current Status is 1, 2, 4, 5 or T with a Transfer Details record present	Fail A	Previous scheme (ADD-PR-SCH) and previous employer (ADD-PR-EMP) are both blank	N/A	N/A	No	N/A
Member Details	Contributions	Current Status is 1, 2, 4, 5, 9 or T and member is not pension credit member (CLASS <=> 'PC') and member is not a casual worker (PART-TIME <=> 'C') and date joined fund is greater than 15 days from the Variable Input Posting Date.	Fail A	Total Paid Including Interest (TCI-TOTAL) is blank or less than (or equal to) a small figure (default of £1.00) agreed with customer	Employment type (CLASS) is Councillor (CM) or Date Joined Fund (DJF) equal to or later than the last posting date or member is non-active (not status '1' or '2') and date left is prior to Minimum non-active date- override	No	N/A
			Fail B	For status 1 members the latest cont date (CONT-DATE) prior to the last posting date and have a corresponding figure (SCH-CONT) (not 0)	Current status not '1' or DJF Date Joined Fund (DJF) equal to or later than the last posting date	No	N/A

Date Joined Scheme	Current Status is 1, 2, 4, 5, 9 or T and member is not pension credit member (CLASS <=> 'PC')	Fail A	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	N/A	Yes	None
		Fail B	Date Joined Fund (DJF) is earlier or equal to Date of Birth (DOB) plus 15 years	Null DATE-LEFT or DOB	No	N/A
Date of Leaving	Current Status is 1, 2, 4, 5, 9 or T and member is not pension credit member (CLASS <=> 'PC')	Fail A	Non-active member has blank or invalid date left (DATE-LEFT)	Status 1	Yes	None
		Fail B	Date joined fund (DJF) blank or on or before 01/01/1900	Status 1	Yes	None
		Fail C	Date joined fund (DJF) later than or equal to date left (DATE-LEFT)	Status 1, Fail A cases	Yes	None
		Fail D	Date Left (DATE-LEFT) present for an active member without a previous status 4 or 9	Status not 1 or has previous status 4 or 9 entry	No	N/A
Employer Details	Current Status is 1, 2, 4, 5, 9 or T and member is not pension credit member (CLASS <=> 'PC')	Fail A	Current employer (LOCATION) is blank	N/A	Yes	None
		Fail B	Date Joined employer (DT-JOIN-EM) is either blank or earlier than or equal to 1/1/1900	N/A	Yes	None
		Fail C	Date Joined employer (DT-JOIN-EM) must be earlier than date of birth (DOB) plus 15 years	Null DT-JOIN-EMP or DOB	No	N/A
		Fail D	Employment type (CLASS) is blank	N/A	No	N/A



Leavers	Current Status is 4, 5, 9 or T and member is not pension credit member (CLASS <=> 'PC')	Fail A	Date Left (DATE-LEFT) is either blank or is earlier than or equal to 1/1/1900	N/A	Yes	None
		Fail B	Date Joined Scheme (DJF) is either blank or is earlier than or equal to 1/1/1900	N/A	Yes	None
		Fail C	Date Left (DATE-LEFT) is earlier than Date Joined Scheme (DJF)	Null DATE-LEFT or DJF	No	N/A
Salary (Final Salary members)	Current Status is 1, 2, 4, 5, 9 or T with service start date (HIST-START) (or date joined fund (DJF) if no service history present) prior to the final salary accrual end date, and member is not pension credit member (CLASS <=> 'PC')	Fail A	Blank or invalid latest Pensionable Remuneration Date (PEN-REM-DT)	Employment type (CLASS) is Councillor (CM)	Yes	Non current status 1, 2 or 4
		Fail B	For non-active members, neither of the last two pensionable remuneration dates (PEN-REM-DT) equal the member's date of leaving (DATE-LEFT)	Current status (STATUS) is 1, 2 or 9; or Employment type (CLASS) is Councillor (CM)	No	N/A
		Fail C	The latest Remuneration entry is on a valid date (PEN-REM-DT) but has no amount (PEN-REM)	N/A	No	N/A
		Fail D	Deferred with no, or less than (or equal to) a nominal, Final Pay (DEF-PENREM) value	Not current status 4	No	N/A
		Fail E	Pensioner with no, or less than (or equal to) a nominal, Final Pay (PEN-PS-REM) value	Not current status 5 or T	No	N/A
		Fail F	Active without a pensionable remuneration entry on or after the latest posting date	Not current status 1, Employment type (CLASS) is Councillor (CM)	No	N/A
Service	Current Status is 1, 2, 4, 5, 9 or T and member is not pension credit member (CLASS <=> 'PC')	Fail A	If DCCPS > DJF, and DJF < 31/03/2014 (15 S&NI)) then service history must be present	N/A	No	N/A



# Data Improvement Plan

## October 2023

## Summary

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This improvement plan primarily aims to address the key issues identified in the Fund's Annual Data Quality review which took place in September 2023 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. The Fund is currently undertaking a procurement exercise to secure a new mortality and tracing service.

The next generation of member online portal, known as TME, has been released by Heywood Pensions Technologies. The Fund will create a plan to upgrade to TME during 2024.

In the last year significant data collection and analysis was carried out by the Fund and its employers in preparation for the McCloud judgement of the public sector pension reforms. The Local Government Pension Scheme (Remediable Service) (Scotland) Regulations 2023 was laid before the Scottish Parliament and came into force on 1 October 2023. To comply with these regulations the Fund will be commencing record updates and rectification work.

Due to delays in the Pensions Dashboard Programme the Fund's internal project plan has been placed on hold. A final pensions dashboards eco-system connection deadline of 31 October 2026 has been fixed but new staging timelines are still awaited. The Fund will release a new project plan once further guidance on staging dates has been published.

## Plan Objectives

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- ❖ 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
- ❖ Record updates and recalculation rectification work to be completed for the McCloud remedy
- ❖ Data rectification in readiness for onboarding the Pensions Dashboard

## Outcomes

Objective	Action	Measure	Resource	Timescale
Maintain complete and accurate records to ensure the timeously payment of correct pension benefits	Keep the data quality dashboard under monthly review. Rectifying issues and pinpointing any training requirements.	Outperform the internal performance indicator of 95% for both common and scheme-specific TPR data quality scores.	Lothian Pension Fund Staff Data analytical tool	September 2024
	Identify potential data errors utilising the actuary's fund valuation data cleansing tool on a quarterly basis	Aim to keep number of critical issues below 1,000	Lothian Pension Fund Staff Actuarial data cleansing tool	Quarterly - ongoing
Identify members with "gone-away" status and undertake tracing exercise to locate new address	The Fund will carry out annual bulk exercises and online case by case investigations to trace "lost" members.	Reduction in number of members with "gone-away" status	Lothian Pension Fund Staff 3 <sup>rd</sup> party tracing services to be determined	September 2024
	Participate in pilot with Heywood Pensions Technologies to trace "lost" members through a sourced email address.	Reduction in number of members with "gone-away" status	Lothian Pension Fund Staff Heywood staff	September 2024
To prevent and detect fraudulent claims	The Fund will participate in the biennial National Fraud Initiative	Complete investigation of cases specified by 2022/23 initiative	Lothian Pension Fund Staff NFI Portal	Next Initiative 2024/25

	The Fund will use a biometric authentication solution for proof of life verification for our overseas pensioners	Results will be used to suspend or stop pension payments	Lothian Pension Fund Staff Crown Agents	ongoing
	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	September 2024
	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	ongoing
	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	Monthly - ongoing
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 to members.	Increase in self service traffic with corresponding reduction in estimate requests	Lothian Pension Fund Staff Heywood programme developers	Ongoing collaboration
	Complete upgrade to next generation portal TME	Existing member users transferred over	Lothian Pension Fund Heywood Pensions Technologies	December 2024
Engage with the employers to improve the timeliness	The Fund will provide quarterly Pension	Analyse the results and identify employers of	Lothian Pension Fund staff	Quarterly - ongoing

and quality of member data	Administration Strategy statistics to employers	concern. Deliver training where improvement required	Employer Staff	
	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	ongoing
	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	Monthly - ongoing
Record updates and recalculation rectification work to be completed for the McCloud remedy	The Fund will use data obtained from employers to update member records. The Fund will also complete the rectification work to comply with the remedy.	Records complete for McCloud bulk underpin calculation	Lothian Pension Fund staff Employer Staff Analysis tools	ongoing
Data rectification in readiness for onboarding the Pensions Dashboard	Complete a data sense check on data required for Pensions Dashboard and rectify discrepancies	Records dashboard ready	Lothian Pension Fund staff ISP Analysis tools	October 2026



## **Pensions Audit Sub Committee**

2.00pm, Monday, 4 December 2023

### **Investment Income Review Cross Border Withholding Tax and EU Tax Recoveries**

#### **Item number 6.4**

#### **1. Recommendations**

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

- 1.1 note the report and highlight any points it would like to raise at the Committee on 5 December 2023.
- 1.2 note that whilst the review by EY shows that Northern Trust is generally applying the correct withholding tax rates on investment income, several rates applied were queried as suggested by EY.
- 1.3 note the progress on French Fokus claims via KPMG and ongoing work on other Fokus claims via WTax.

#### **Alan Sievewright**

Chief Finance Officer, Lothian Pension Fund

Contact: Jason Koumides, Financial Controller, Lothian Pension Fund

Laura Forsyth, Senior Finance Manager, Lothian Pension Fund

E-mail: [lpfgovernancecomms@lpf.org.uk](mailto:lpfgovernancecomms@lpf.org.uk) | Tel: 0333 996 1900

# Investment Income Review Cross Border Withholding Tax and EU Tax Recoveries

## 2. Executive Summary

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- 2.1 This report provides information on a benchmarking assurance review, prepared by EY, 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 applying the correct withholding tax rates on investment income and is pursuing reclaims where possible. A summary of the opportunities and issues identified is detailed in section 4. No significant claims have been settled in the period.
- 2.3 This report also provides an update on progress on Fokus bank reclaims as were previously covered the EU Tax Claims and Other Income Tax Recoveries paper. During the period covering the last two reports no additional claims have been paid.

## 3. Background

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- 3.1 Lothian Pension Fund (LPF) and Scottish Homes Pension Fund (SHPF) invest directly in stock listed on markets across the globe. These investments generate income that is potentially liable to income tax in the country of tax domicile. During the 2022/23 financial year the funds earned income from companies in 34 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 (WHT).
- 3.4 In some countries, the preferential rate for UK pension funds is subject to providing the tax authorities 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 2022/23 and 2021/22 financial years for LPF and SHPF.

<b>Lothian Pension Fund</b>	<b>2022/23</b> £	<b>2021/22</b> £
Brought Forward 1 April	21,163,369.45	14,900,747.76
Recoverable tax accrued during year	8,041,452.20	7,042,029.31
Claims paid during year	(191,203.19)	(779,407.62)
Carried Forward 31 March	29,013,618.46	21,163,369.45

<b>Scottish Homes Pension Fund</b>	<b>2022/23</b> £	<b>2021/22</b> £
Brought Forward 1 April	11,686.58	11,780.50
Recoverable tax accrued during year	464.98	(93.92)
Claims paid during year	-	-
Carried Forward 31 March	12,151.56	11,686.58

- 3.9 The year-end recoverable tax balances at 31 March 2023 and 31 March 2022, broken-down by country, are provided for each of the Funds in Appendix 1.
- 3.10 For LPF, Switzerland accounts for 42% (41% at 31 March 2022) for the total amount receivable. 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.
- 3.11 The Swiss, German, Belgian and Finnish 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, EY 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 2022 to 31 July 2023.

### Findings – WHT Rates Applied

- 4.3 The EY study found that the correct WHT rates have been achieved by the Fund for the majority of dividend distributions received. EY highlighted £29k WHT suffered on Canadian dividends identified by NT as cross-border payments. NT has provided evidence of the cross-border nature of these payments. WHT of £238k suffered on Dutch dividend payments was also noted by EY. NT has confirmed they are pursuing a full reclaim of this amount.
- 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 Swiss claims accounted for 42% (£12,231k) 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
	30/9/23 £	31/3/23 £	31/3/22 £	
2019	2,532k	2,503k	2,333k	NT status at 30 September 2023: "Reclaim Submitted to Tax Authority"
2020	3,187k	3,150k	2,937k	NT status at 30 September 2023: "Reclaim Submitted to Tax Authority"
2021	2,360k	2,333k	2,175k	NT status at 30 September 2023: "Claim under preparation"
2022	2,616k	2,587k	1,304k	NT status at 30 September 2023: "Certification Requested"

Year	Lothian Pension Fund	Lothian Pension Fund	Lothian Pension Fund	Comment
2023	2,855k	1,657k	-	Claim cannot be made until the end of the calendar year.
<b>Total</b>	<b>13,550k</b>	<b>12,231k</b>	<b>8,749k</b>	

4.6 During the pandemic the Swiss Tax Authorities had agreed to process claims submitted without HMRC certification. This has since been rescinded and all claims now require this certification before submission. This decision has led to a backlog in addition to that built up over the pandemic. Claims are now beginning to settle with LPF receiving (based on unaudited October 2023 data) £2.8m in Swiss claims in October 2023.

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

Year	Lothian Pension Fund	Lothian Pension Fund	Lothian Pension Fund	Comment
	<b>30/9/23</b> £	<b>31/3/23</b> £	<b>31/3/22</b> £	
2016	589k	716k	688k	NT status at 30 September 2023: "Documentation Required From Client"
2017	961k	973k	936k	NT status at 30 September 2023: "Reclaim Submitted to Tax Authority"
2018	1,133k	1,147k	1,103k	NT status at 30 September 2023: "Reclaim Submitted to Tax Authority"
2019	1,427k	1,445k	1,390k	NT status at 30 September 2023: "Reclaim Submitted to Tax Authority"
2020	1,290k	1,306k	1,256k	NT status at 30 September 2023: "Reclaim Submitted to Tax Authority"
2021	1,002k	1,015k	976k	NT status at 30 September 2023: "Market Issue"
2022	1,641k	1,663k	169k	NT status at 30 September 2023: "Documentation Required From Client"
2023	1,800k	167k	-	Claim cannot be made until the end of the calendar year.
<b>Total</b>	<b>9,843k</b>	<b>8,433k</b>	<b>6,520k</b>	

4.8 The Germany Tax Authorities introduced a holding period requirement where the reclaim rate is greater than 15% in rate terms. Claimants must not have traded 45 days prior to and after the dividend ex-date UK pension funds fall into scope of this

new requirement. NT now has a procedure in place to capture this and has submitted reclaims for 2016-2020 which the Fund now awaits payment.

4.9 NT has confirmed that no other LGPS clients have received German reclaims and therefore LPF's long dated claims are not an outlier. An electronic submission process was introduced for these claims in 2023 and NT expects that this should speed up the reclaim process in future.

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

Year	Lothian Pension Fund	Lothian Pension Fund	Lothian Pension Fund	Comment
	30/9/23 £	31/3/23 £	31/3/22 £	
2019	465k	547k	526k	NT status at 30 September 2023: "Reclaim Submitted to Tax Authority"
2020	443k	450k	432k	NT status at 30 September 2023: "Claim Under Preparation"
2021	183k	185k	179k	NT status at 30 September 2023: "Certification Requested"
2022	180k	182k	-	NT status at 30 September 2023: "Certification Requested"
2023	143k	7k	-	NT status at 30 September 2023: "Claim under preparation"
<b>Total</b>	<b>1,415k</b>	<b>1,371k</b>	<b>1,137k</b>	

4.11 Like Germany, the Belgian tax authorities have introduced a holding period requirement for foreign pension funds. NT has implemented a procedure to automate the process for collecting this data and they have noted that claims from 2019 are now beginning to be repaid.

4.12 For Finland, the position for the LPF claims can be summarised as follows:

Year	Lothian Pension Fund	Lothian Pension Fund	Lothian Pension Fund	Comment
	30/9/23 £	31/3/23 £	31/3/22 £	
2020	472k	478k	459k	NT status at 30 September 2023: "Reclaim Submitted to Sub Custodian"
2021	1,269k	1,286k	1,236k	NT status at 30 September 2023: "Claim under preparation"
2022	1,460k	1,479k	184k	NT status at 30 September 2023: "Certification Requested"

2023	825k	159k	-	NT status at 30 September 2023: "Certification Requested"
<b>Total</b>	<b>4,026k</b>	<b>3,402k</b>	<b>561k</b>	

- 4.13 Previously Finnish market offered tax relief at source, instead now full 35% tax rate suffered on investment income which can then be reclaimed. NT has commented that it is a complex manual process with additional steps required for claimants reclaiming below a 15% tax rate (LPF is entitled to 0%).
- 4.14 NT has recently been confirmed by the Finnish Tax Authority as an authorised source of client information. This could allow the provision of tax relief at source in future for LPF.
- 4.15 The Canadian position (£976k) is also of note. All withheld tax relates to the 2021 period where new requirements were put in place. NT has an automated process eliminating the need for retrospective reclaims. 2021 reclaims have been submitted to the Tax Authority.
- 4.16 EY have highlighted the opportunity to reclaim withheld tax in the Taiwanese market. WHT of £1,900k has been suffered in the period under review. Due to the complexity of the reclaim process this falls out of the scope of the claims the custodian would do on behalf of their clients. The Fund has participated in these reclaims in the past and plans to do a procurement exercise to appoint a consultant to do this work.

#### **Fokus Bank reclaims update**

- 4.17 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.
- 4.18 The Pensions Committee of October 2007 approved making claims under the principle established in the Fokus Bank case. Claims currently estimated at around £6.7m (£6.8m as at the meeting of December 2022) have been made of which £1.4m have been settled. Claims are outstanding with the French and German Tax authorities.
- 4.19 No further claims have been paid since the last report in December 2022 however the Fund has provided an earnings attestation to the French tax authorities (FTA) via KPMG following their request for information. KPMG believes that the FTA are now looking to resolve these claims and the Fund awaits a further update on the outstanding claims of £677k.
- 4.20 There has been no update regarding the German claims of £4.6m and no further German claims have been made through KPMG or WTax.

- 4.21 Fees incurred to date on these claims amount to £390.5k (£390.5k as at the meeting of December 2022). Costs are higher for the Fokus Bank type claims because of the need to file claims separately in individual EU countries.

#### **Financial Impact of Fokus Bank reclaims**

- 4.22 Tax claims outstanding totalling £5.3m (£5.4m as at the meeting of December 2022) are currently lodged with the relevant tax authorities. A full breakdown is provided in Appendix 2.
- 4.23 Currently, claims paid to date exceed the costs incurred by £979.6k (£979.6k as at the meeting of December 2022) therefore, irrespective of the outcome of the remaining claims, the Fund will accrue a financial benefit. The financial position can be summarised as follows:
- 4.23.1 Due to the uncertainty associated with the tax claims amounts are only recognised in the Funds' accounts when claims are settled.

### **5. Financial Impact**

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

### **6. Stakeholder/Regulatory Impact**

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- 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**

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- 7.1 None.

### **8. Appendices**

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- Appendix 1 – Tax reclaims by country  
Appendix 2 – Fokus Bank reclaims

## Appendix 1 – Tax reclaims by country

<b>Lothian Pension Fund</b>	<b>Reclaim Amount 31/03/2023 £</b>	<b>Number of Dividends 31/03/2023</b>	<b>Reclaim Amount 31/03/2022 £</b>	<b>Number of Dividends 31/03/2022</b>
Austria	13,877.73	2	13,346.69	2
Belgium	1,371,284.13	30	1,136,624.71	23
Canada	976,061.31	103	996,988.86	104
Denmark	573,895.20	59	434,170.34	49
Finland	3,402,191.02	16	1,879,923.50	11
France	5,664.67	2	5,447.90	2
Germany	8,432,793.11	178	6,519,623.14	151
Ireland	25,801.40	2	-	-
Netherlands	720,136.10	37	471,209.40	28
Spain	284,677.44	18	84,627.24	8
Switzerland	12,230,863.62	113	8,749,159.87	89
United Kingdom*	966,012.75	22	862,518.87	20
United States	10,359.98	2	9,728.93	2
<b>Grand Total</b>	<b>29,013,618.46</b>	<b>584</b>	<b>21,163,369.45</b>	<b>489</b>

\* Relates to UK listed overseas companies' dividends.

<b>Scottish Homes Pension Fund</b>	<b>Reclaim Amount 31/03/2023 £</b>	<b>Number of Dividends 31/03/2023</b>	<b>Reclaim Amount 31/03/2022 £</b>	<b>Number of Dividends 31/03/2022</b>
Germany	12,151.56	4	11,686.58	4
<b>Grand Total</b>	<b>12,151.56</b>	<b>4</b>	<b>11,686.58</b>	<b>4</b>

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 2023 relating to the period of equity investment.

## Appendix 2 – Fokus Bank reclaims

<b>Claim Country</b>	<b>Total Claims £'000</b>	<b>Claims Settled £'000</b>	<b>Claims Outstanding £'000</b>	<b>Costs to Date* £'000</b>
Austria	83	83	-	
Germany	4,621.7	-	4,621.7	
France	676.8	-	676.8	
Netherlands	440	440	-	
Norway	278.9	278.9	-	
Spain	568.1	568.2	-	
<b>Total</b>	<b>6,668.5</b>	<b>1,370.1</b>	<b>5,298.5</b>	<b>390.5</b>



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