NHS
Pension Board
Annual Report
2016-2017

NHS Pension Board Annual Report 2016-17

Introduction

This report covers the work of the Scottish NHS Pension Board (the "Pension Board") from 1 April 2016 to 31 March 2017. This closing date matches the closing date of both the 2016-17 Annual Accounts of the Scottish NHS Pension Schemes (the "Scheme") and the 2016/-17 Annual Report and Accounts of the Scottish Public Pensions Agency (the "SPPA"). The SPPA has been nominated by Scottish Ministers as the Scheme Manager of the Scheme.

It is important to begin by placing on record the Board's appreciation of the work of the Agency's staff, both in supporting the Board throughout the year.

1. The Pension Board Purpose

The Public Service Pensions Act 2013 required the establishment of a pension board for the Scheme with effect from 1 April 2015 with the responsibility for "assisting the Scheme Manager" in securing compliance with the regulations and other legislation relating to the governance and administration of the Scheme. The Scottish NHS' Superannuation Scheme 2014 regulations reflect the new Pension Board governance arrangements.

The Pension Board collectively, and members individually, are accountable to the 'Responsible Authority' and 'Scheme Manager' (ultimately Scottish Ministers) with the Cabinet Secretary for Finance and the Constitution acting as lead Minister for public sector pensions. SPPA assumes the day to day role of Responsible Authority and Scheme Manager as delegated by Scottish Ministers via the Agency Framework Document.

The Scotland Act 1998 (which established the Scottish Ministers) provides for statutory functions to be conferred on "the Scottish Ministers" collectively.

2. The Pension Board Role

The Pension Board's role is to assist the Scheme Manager in a range of issues associated with the administration of the scheme. These can include:

Administrative:

- Considering quality, timeliness and accuracy of the administrative services provided to members
- Monitoring administrative processes and supporting continuous improvements
- Supporting employers and the SPPA in communicating effectively to scheme members
- Ensuring members have access to a range of tools to improve their understanding of their pension benefits
- Ensuring Scheme data is managed to the highest standards
- Ensuring compliance with The Pensions Regulator's codes of practice and oversight of interaction between the Scheme Manager and The Pensions Regulator
- Requesting reports on specific topics from the Scheme Manager – as required

Financial:

- Consideration of the quadrennial scheme valuations' process and progress

Strategic:

- Giving consideration to the future programme of service improvement at SPPA and its alignment with priorities identified by the Pension Board
- Consideration of lessons learned regarding customer complaints and Pension Ombudsman cases
- Fostering good working relationships with The Pensions Regulator and other service delivery partners
- Consideration of the annual report from The Pensions Regulator, including any responses to recommendations
- Producing an annual report outlining the work of the Pension Board throughout the Scheme year

3. Board Meetings

During the 2016-17 scheme year, the Pension Board met on four occasions at the SPPA office in Tweedbank.

Details of the Pension Board membership and attendance record at meetings are set out in Annex A.

There have been no notifiable conflicts of interest recorded for Pension Board members.

4. Key Performance Indicator (KPI) Performance

The Pension Board has taken considerable interest in understanding each individual KPI of the SPPA in relation to the Scheme and scrutinised its performance. Despite a number of missed targets, the 2016-17 performance overall has been strong. A table of the KPI performance for the year can be found at Annex B.

5. Board business during the year

5.1 Risk

Under The Pension Regulator's Code of Practice No 14 there is an expectation that Scheme Managers should manage risk and that Pension Board members should be 'familiar with' the Risk Register. Carrying out this task has involved the Pension Board members in considering a range of internal controls operated by the Scheme Manager and receiving reports on the process for assessing and managing risk. The Agency commissioned an in-depth report by an independent consultant on the operation of Risk Management in the Agency in 2016 and a series of recommendations emerged, commencing with the establishment of a Risk Governance Group on October 2016.

The Pension Board received a copy of the Risk Register for the Scheme at each of its meetings and Board Members questioned SPPA officials on the risks and the actions being taken to manage them. A key piece of work that underpinned the consideration of risk was a mapping exercise of the potential areas of risk as set out in the Pension Regulator's Guidance onto the Scheme's Risk Register to ensure attention was focussed on the Scheme's main areas of interest.

The key risks (high impact and high likelihood) considered by the Board in respect of the 2016-17 Risk Register included:

- ability to recruit and retain appropriate levels of trained and talented staff to carry out scheme administration work load

- ability to ensure a smooth transition to the new integrated pension administration and payroll IT platform
- ability to handle large and/or sudden future business change
- ability to successfully complete all 'contracting out' tasks in the required timescales

A series of mitigating actions were put into place during the year, some of which continued beyond the reporting year, to move pension service delivery towards a tolerable level of residual risk.

5.2 IT Procurement

Work on 'Project 17' (an integrated pension and payroll pension platform and associated digital solutions) began in earnest when the consolidated IT contract was awarded. The aim of the project was to fully exploit the benefits of the supplier's offering, including its capability to enhance the customer experience and fully explore the opportunity to provide an advanced digital business solution in conjunction with a major UK supplier.

Challenges arose with the new core pension and administration system during 2016-17 as work specified by the Agency in its Invitation to Tender was being designed into the pension software product, to the point where the original go-live date proved unattainable and contingency arrangements were enacted. Chiefly, this involved the Agency successfully extending the life of contracts with its original suppliers to ensure safe delivery of pension payments to its members. Also, recognising the risk to project deliverables, the Agency took action mid-way through the project implementation phase to commission an independent 'healthcheck' carried out by the Scottish Government's Office of the Chief Information Officer in order to better understand how to facilitate a positive project outcome.

One of the key recommendations from the 'healthcheck' review in October 2016 was that the supplier should address a range of issues to ensure the delivery of its product to the required specification and quality and minimise further delay in implementation. The Agency has since worked with the supplier to help develop a mutually acceptable and well defined project re-plan. In order to validate the revised project planning assumptions the supplier has agreed to carry out a short, reduced scope delivery exercise that will help inform both the re-plan and the revised go-live target. This exercise was on-going at the end of the year.

5.3 Reconciliation of the Scheme's GMPs

Following decisions by HM Government on the cessation of contracting out, initial analysis has been carried out by an external contractor on the SPPA's GMP data for the Scheme. Reconciling the GMP data of the Scheme with the records held by the Department of Work and Pensions is a major exercise for the SPPA and needs to be completed by the end of 2018.

A project team has been put into place at SPPA. It is currently undertaking further data analysis of scheme records. The Pension Board has considered progress on this topic at each of its meetings and will continue to monitor progress as the deadline approaches.

A number of decisions from Her Majesty's Treasury are awaited which will inform the extent of the exercise.

5.4 Customer Service – NHS

The Pension Board has overseen the results from SPPA's continuous customer survey, launched on 4 August 2016. From its inception up to 31 March 2017 a total of 3,841 NHS members and pensioners (1.2% of overall scheme membership) have participated in the survey. From those, 3,523 participants provided an overall satisfaction level with SPPA, of which 85.84% indicating they were

either extremely or quite satisfied with the service provided by SPPA.

In response to the question, 'what could SPPA do better?' a total of 2004 customers responded in the period 04 August 2016 up to 31 March 2017, with a variety of feedback as per breakdown shown here:

1. Positive	32.85%
2. Communications	18.81%
3. Time	13.12%
4. Benefit Statements	12.33%
5. Miscellaneous	9.73%
6. Website	7.19%
7. Online Services	3.44%

All feedback has been analysed to identify areas for improvement. Pension Board members will assist SPPA to target and address the issues that really matter to members to support SPPA's continuous improvement of the service it provides for its customers.

As well as the feedback suggesting improvements shown in chart above, an additional 653 customers provided comments on their positive experience in dealing with SPPA.

5.5 Complaints and Internal Dispute Resolution

The table below shows the number of formal complaints received over the scheme year. In line with the Scottish Public Service Ombudsman's best practice, complaints are largely dealt with by frontline staff, however through SPPA's complaints procedure 66 complaints were received, in terms of context, this amounts to 1.5 in 10,000 of the scheme's membership.

Complaints were generally about the customer service experienced from the SPPA and broadly were categorised as follows:

Scheme	Error	Other	Over-payment	Policy	Response Time	Standard of Service
NHS	8	5	2	1	7	25

5.6 Internal Disputes Resolution Process

Disputes are different from complaints in that they are focussed on how the regulations have been applied. The scheme's Internal Dispute Resolution Process ("IDRP") complies with pension legislation and Citizen's Charter guidelines. Disputes brought about under the IDRP tend to be about:

- the amount of retirement benefits received
- the rejection or awarding of ill health retirement benefits, and
- not being allowed to transfer in or out of the Scheme.

The table below details the total number of IDRP disputes received and their classification. In the case of disputes brought under the procedure, the agreed classifications are:

- upheld – SPPA's original decision is upheld
- overturned – SPPA's original decision is overturned

Scheme	IDRP1 outcome		IDRP 2 outcome	
	Upheld	Overturned	Upheld	Overturned
NHS Non-medical	32	2	10	1
NHS Medical				

5.7 Scottish Public Sector Governance Review

In 2014, the Scottish Government committed to review the effectiveness of the operation of the Scheme Advisory Boards and Pension Boards. That review was commissioned, from an external consultant, in late 2016 and reported to SPPA in January 2017. The Board was consulted on the Review's Terms of Reference. A number of Board members contributed, by completing a questionnaire, by interview or both, to the work of the Review. The Board considered the consultant's report at its February 2017 meeting and commented to the Agency. At the year-end, the Agency was considering the recommendations and the comments from this and other Boards with a view to seeking Ministerial conclusions.

6. **Liaison with Scheme Advisory Board, with the Boards for other schemes administered by the SPPA**

During the year, the Pension Board has established an exchange of minutes and agendas with the Scheme Advisory Board.

7. **Liaison with SPPA/The Pensions Regulator**

The Pension Board has worked closely with SPPA throughout the year. Attendance at Pension Board meetings by both SPPA senior leadership staff and by subject matter experts has been particularly helpful.

The Pensions Board has not had a significant amount of interaction with the Pensions Regulator. However, the Board did report to the Regulator the Scheme's failure to meet the statutory target for issue of annual benefit statements to members. The Regulator acknowledged the Board's report and is in discussion with the SPPA about the steps being taken to improve performance. The Board keeps this issue under active review.

8. **Board member training and CPD**

A work and training plan has been developed over the year which includes any requests made by the Board. Throughout 2016-17, the Board received training on Benchmarking in Public Pensions, Governance Review, HMT GMP Consultation

9. **Member appraisal and Pension Board review of effectiveness**

All Pension Board members have been deemed to have contributed to the effectiveness of the Pension Board, particularly as they have started to become more familiar with their role and remit. The Pension Board itself has kept its procedures under review and as the year ended was considering what changes, if any, might be beneficial.

10. **Forward Look**

During 2017-18, the Pension Board's membership will change as appointments, for various reasons, come to an end. The Board has recorded its thanks to those members standing down. Induction training will be made available to new members, but an invitation to participate will be extended to continuing members as well. The Board expects its business to continue much as in 2016/17, with a

focus on performance against KPIs, improved customer liaison, GMP reconciliation and the IT refresh. It will maintain its links with the Scheme Advisory Board, in particular around the Scheme quadrennial valuation currently underway.

11. Pension Board Costs

The Pension Board has incurred the following expenditure over the course of the Scheme year:
Fees and expenses expenditure: £2930.10 net

Approved by the Scottish NHS' Pension Board:

Dr Mike Prentice, Independent Chair

SPPA, 7 Tweedside Park, Galashiels, TD1 3TE

Annex A

Board Membership and Attendance at Meetings 2016-17

Name	Date			
	17 May 2016	30 August 2016	22 November 2016	28 February 2017
Tim McKay	Y	Y	Y	Y
Mike Prentice	Y	Y	Y	N
Graham McKirdy	Y	Y	Y	Y
James Ito	Y	N	Y	Y
Philip Coghill	Y	N	Y	Y
Gordon McKay	Y	Y	N	Y
Graham Haggarty	Y	N	Y	Y
James Dall	Y	Y	Y	Y
Susan Swan	Y	Y	N	N
Lyndsay Lauder	-	-	-	Y

Resignations:

Lindsay Lauder – October 2016

Tim Mackay – 31 March 2017

Jim Dall – 31 March 2017

Annex B

Key Performance Indicators 2016/17

	Target	2015/16 Volume	2015/16 Actual	2016/17 Volume	2016/17 Actual
New Awards (Timeliness)	98%	6967	99.97%	8527	100%
Existing Payments Accuracy	98%	2604	100%	API	N/A
Payroll/ Existing Pension (Changes)	98%	5486	99.05%	5067	99.49%
Divorce CETV	100%	455	100%	412	100%
Divorce PSOD	100%	44	100%	45	100%
Complaints	98%	66	89.39%	48	91.67%
IDRP1 (completed)	100%	81	97.53%	82	100%
IDRP 2 (completed)	100%	24	100%	12	100%
Annual Statements	98%	108,480	83.16%	142649	84.61%
Freedom of Information	100%	2	100%	4	100%
Data Protection	100%	1	100%	0	100%
Contribution Collection YTD	96%	£1,233m 967 employers	99.57%	£1,276m 943 employers	99.93%
Overpayment Recovery YTD	180 days	1,429 invoices Value £1,017k	105 days	81 days	1,351 invoices Value £733k
New Awards Accuracy	95%	9586	97.61%	12001	96.11%
Transfer Value In (quote)	90%	563	94.32%	522	73.37%(98.66%)
% Transfer Value In (actual)	90%	1032	89.24%	842	93.94%
% Transfer Value Out (quote)	90%	360	95.28%	228	94.30%(100%)
Transfer Value Out (actual)	97%	1033	99.03%	418	98.33%(100%)
Refunds	97%	2870	94.74%	4461	97.44%
Estimates	90%	6856	97.42%	5558	81.32%
Death in Service	98%	129	100%	103	100%
Death in Pension/ Retirement	98%	840	100%	912	100%
Records Maintenance Up to Date	95%	4. 186484	96.29%	181658	96.18%
Annual Allowance				285	81.66%