

NHS Pension Board Annual Return 2017-2018

NHS Pension Board Annual Report 2017-18

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 2017-18 Annual Accounts of the Scottish NHS Pension Schemes (the “Scheme”) and the 2017-18 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 2017-18 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 2017-18 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

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 2017-18 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. The focus for 2018-19 would be to put emphasis on the customer.

5.2 IT Procurement

In February 2018, the PS Pensions Project was prematurely terminated after major concerns were raised around delivery quality and the diminishing prospect of meeting the go-live date of October 2018. Legal discussions continue with the contractor over cause.

Meanwhile, the Agency has made considerable progress in developing an alternative means of achieving the benefits expected of the PS Pensions, working with the key incumbent supplier. These arrangements will fully safeguard all pensions administration and payroll services until 2024.

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.

The project team continues 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.

5.4 Customer Service

All customer survey feedback received from the is analysed on a monthly basis, and areas for improvement are identified. An action log details:

- feedback received
- recommended remedial action
- updates progress made

The following actions have been completed during 2017/18:

Category	Feedback	Action Completed
Benefit Statements /Data	More explanation of terms	Frequently Asked Questions (FAQs) updated on the SPPA's website
	Timescales involved in the ABS exercise and the reasons behind these decisions • Issue date of Annual Benefit Statements (ABS) • Accuracy of member data	<ul style="list-style-type: none">• SPPA undertook an Annual Return campaign to assist employers and highlight timescales and obligations involved in this process.• A Readiness Document was posted on website for employers along with a checklist for employers, EDM Online Guide and a circular for Employers.• Staff have been reminded to check members' details are correct when correspondence is received.
	Members not receiving an Annual Benefit Statement	SPPA clarified the timescales / process involved in producing the ABS within the FAQ's published on the website

	on time	
My Pension	Ease of use / usability / Digital Platforms	An upgrade has now been delivered to SPPA's online services.
Website	SPPA Website not able to support different Digital Platforms / Mobile Ready	An upgrade has now been delivered to SPPA's online services.

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 40 complaints were received, in terms of context, this amounts to 1.2 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	Total complaints completed 2017/18	% of total complaints	No of scheme members*	Number of complaints per 10,000 members	Outwith KPI	Total complaints completed 2016/17
NHS	40	44%	332424	1.20	1	48

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	Overtured	Upheld	Overtured
NHS Non-medical	35	5	11	5

NHS Medical	23	41	5	11
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5.7 Scottish Public Sector Governance Review

In 2014, the Scottish Government committed to review the effectiveness of the operation of the Pension Board and Scheme Advisory Boards. That review was commissioned, from an external consultant (KPMG), in late 2016 and reported to SPPA in January 2017. Recommendations were discussed with Pension Board Chairs and Vice Chairs in October 2017 and an action plan approved by the SPPA Management Advisory Board.

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

During 2017-18 there has been limited contact 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 continues to work closely with SPPA to improve performance. The Board keeps this issue under active review.

8. Board member training and CPD

Throughout 2017-18, the Board have been updated regarding the change to the General Data Protection Regulations, Risk Management and GMP. Board members have been responsible for completing the Pension Regulator's Toolkit. Induction for new board members will take place in 2018-19.

9. Member appraisal and Pension Board review of effectiveness

Pension Board members are effectively appraised throughout the year. At meetings and through normal business correspondence and discussions it is clear that the whole Board is dedicated to their function and supporting member interests.

10. Forward Look

For 2018-19 and beyond, the Pension Board's focus will continue to be on scheme administration, governance and member communications. With particular interest in the progress of the GMP exercise, the introduction and impact of the Customer Contact Centre and the further development of the pension administration system.

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 on

Dr Mike Prentice, Independent Chair

SPPA, 7 Tweedside Park, Galashiels, TD1 3TE

Board Membership and Attendance at Meetings 2017-18

Name	Dates			
	18/5/17	24/8/17	21/11/17	8/2/18
Mike Prentice	Y	Y	Y	Y
Graham McKirdy	Y	Y	-	Y
James Ito	Y	Y	-	-
Philip Coghill	-	-	-	Y
Gordon McKay	-	-	Y	-
Graham Haggarty	Y	Y	Y	Y
James Dall	Y	-	-	-
Susan Swan	-	Y	-	-
Lyndsay Lauder	-	Y	-	-

Resignations:

- Susan Swan
- Graham Haggarty
- James Dall

Annex B

SPPA Key Performance Indicators 2017-18

KPI	Target	Volume	Actual
New Awards (Timeliness)	98%	10347	99.99%
New Payments Accuracy	95%	10362	96.71%
Death in Service	98%	99	100%
Death in Pension/ Retirement	98%	907	100%
Transfer Value In (quote)	100%	515	62.91%(98.83%)
Transfer Value In (actual)	90%	977	95.60%
Transfer Value Out (quote)	100%	205	96.10%(98.54%)
Transfer Value Out (actual)	100%	580	98.28%(99.31%)
Estimates	90%	5768	92.13%
Divorce CETV	100%	380	100%
Divorce PSOD	100%	39	100%
Refunds	97%	2696	98.33%
Complaints	98%	40	97.50%
IDRP1 (completed)	100%	104	98.08%
IDRP 2 (completed)	100%		
Freedom of Information	100%	4	100%
Data Protection Subject Access	100%	2	100%
Contribution Collection YTD	96%	£1,309m	99.38%
Overpayment Recovery YTD	150 days	86 days	1,272 invoices Value £765K
Payroll/ Existing Pension (Changes)	98%	6352	99.46%
Annual Statements	100%	158531	94.35%
Annual allowance	100%	384	100%
Records Maintenance up to date	95%	183035	99.46%