



Scottish Public  
Pensions Agency  
Buidheann Peinneanan  
Poblach na h-Alba

## **Pension Board Annual Report 2019-20**

### **Scottish NHS Pension Scheme**

October 2020



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# 1. The Pension Board Purpose and Role

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 Pension Board collectively, and members individually, are accountable to the ‘Responsible Authority’ and ‘Scheme Manager’ (ultimately Scottish Ministers) with the Cabinet Secretary for Finance 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.

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 from 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 consultations
- Producing an annual report outlining the work of the Pension Board throughout the Scheme year

A terms of reference is maintained by the Pension Board.

## 2. Yearly Update from the Independent Chair

I wish to thank my predecessor, Michael Prentice, for his leadership of the Pension Board since its inception, and wish him well, and to welcome Mark Cook who joined the Board as independent Vice-chair. I would also like to thank Philip Coghill, James Ito and John White for their service as Board Members, and to note with regret the death of Graham McKirdy, who served the Board well and who resigned in February 2020.

It would be remiss not to mention Covid which has had such a dramatic impact on all our lives, albeit a limited impact on service in this year's reporting period. The SPPA quickly responded to lock down, with almost all of its staff operating remotely within two weeks. A significant achievement in an organisation that was largely office and desk-based, and the Board appreciates the effort made by all SPPA staff to deliver a service to members that was as close to business as usual as practical.

Customer Satisfaction has improved in 19/20, with calls resolved at first point of contact higher than in previous years, although this has led to a decrease in calls answered within 60 seconds. The provision of Annual Benefit Statements (ABS) is a regulatory requirement, and the Board acknowledges the highest ever achievement in the delivery of ABS to members primarily via the online portal, and Web views on the portal have also increased significantly. The SPPA has undertaken major improvements to its Administration system, and plans are in place to extend Member Self Service (MSS) over the coming year.

However, there are customer service areas where the Board expects to see improvements, and acknowledges that the SPPA has restructured and appointed many new members to the Seniors Leadership Team (SLT), to continue its focus on putting customer needs at the heart of its service.

The Board, in line with regulator expectations, continues to play its part in Risk Management. The SPPA is reviewing the way it manages Risk, and the Board is actively involved in that review.

2019-2020 has not been without its difficulties, and the Board will continue to provide robust challenge and to work constructively with the SLT to ensure the SPPA delivers an administration service that members and other stakeholders expect.

Brian Barbour  
Independent Chair

### 3. The NHS Pension Schemes

#### 3.1 Scheme Membership

We have a total of 178,092 active members and managed contributions totalling £1,698m this year. We also pay out £1.421m in pensions each year to 110,421 pensioners.

The Board reviews a set of Key Performance Indicators each quarter, providing robust challenge to the SPPA executive if any indicators do not meet the agreed service levels to members. The critical KPIs are

- 99.8% of new awards were paid on time. (2018 – 99.9%)
- 100% of “death in service” payments were paid on time. (2018 – 100%)
- 100% of “death in retirement” payments were paid on time. (2018 – 100%)
- 100% of divorce calculations were produced on time. (2018 – 100%)

New payment calculation accuracy was below target and slightly lower than in 2018, but the payments themselves were recalculated to ensure all payments that were made, were accurate.

The SPPA also handled significant numbers of calls and emails. 85,473 calls were handled, with an average time to answer of 80 seconds as against a target of 60 seconds. Work is underway to improve call answer time, but still ensure that over 80% of calls are dealt with to completion during the first call. Customer satisfaction sampling shows over 88% of customers are satisfied with the service they receive.

Complaint levels increased significantly from 40 to 95, but the proportion upheld in the complainants’ favour remained roughly constant at 39%, with 16% partly upheld. It should be noted that complaints equates to 2.75 per 10,000.

The NHS scheme has a member self-service web portal with over 365,000 views – an increase of over 20% from 2018. The SPPA plans to increase the functionality of member self-service and the Board will oversee and receive regular reports on progress towards improved member self-service.

## 3.2 Annual Benefit Statements

There is a statutory obligation to produce Annual Benefit Statements for active members of the Scheme. By the statutory deadline of 31 August 2019, the SPPA had delivered over 160,000 (98.2%) of Annual Benefit Statements for NHS officers via the SPPA My Pension Online Member Service. This fell below our obligation and after discussion with The Pensions Regulator, a new target of 30<sup>th</sup> November was set, and all ABS for NHS officers were issued by that revised date.

For GPs and Dentists, a lack of system functionality impacted the SPPA's ability to meet the statutory deadline, with only 60% of ABS issued on time.

Overall, by 31<sup>st</sup> August SPPA had delivered 97.11% and by the new target date of 30<sup>th</sup> November the final position was delivery of 99.81%

## 3.3 Reconciliation of Scheme's Guaranteed Minimum Pension (GMP)

As is the case with most UK pension schemes, work continues to reconcile the records of members with contracted out periods of employment held by the SPPA with the records held by HM Revenue and Customs (HMRC).

The Board received routine updates on planning and progress throughout the year. Delays in the receipt of the Final Data from HMRC caused slippage within the SPPA, and delays in the project completion, but by the end of the financial year, the completion rate for reconciliation was over 95%. The Project team will continue to process NHS 'file reviews' into the next financial year to further improve the reconciliation rate.

The Board were concerned to hear that when the FDC was eventually received by the Agency, in February 2020, SPPA's contractors identified unexpected inconsistencies in approximately 10-15% of records. A data validation process was developed to ensure the correct GMP values will be used in the rectification work.

Rectification:

The additional validation checks resulted in a delay to the project, but will reduce the number of rectification cases requiring to be processed. Pension changes are expected to be made before the end of financial year 2021, and the Board will be consulted prior to any communications being decided upon, to allow Board input to be considered.

## 3.4 Risk Management

Throughout the year board members received copies of the scheme-specific Risk Register which includes the 'key' risk areas, and an assessment of likelihood and impact of the short, medium and long-term risks, threats and opportunities. The Board has an opportunity to discuss and challenge the risks, and there are examples where the Board has asked the SPPA Leadership team to reconsider a risk assessment and the actions to bring the risk within the Board's risk appetite.

Risk assessments are considered quarterly by the Risk Governance Group (RGG) members. The RGG is made up of senior staff from across the Agency and a non-executive member. A 'heat map' was used to consider the risk assessments in relation to one another. An 'assurance map' links Key Agency Outcomes to Key Risks and to levels of assurance from internal, external and independent third party sources. RGG members are

invited to horizon scan to identify new risks. There was a non-executive member in attendance at all meetings of the RGG in 2018-19 to observe that a robust process of risk identification and assessment was in operation. Minutes of all the RGG meetings held throughout the year were provided as part of the agenda papers to all members of the Pension Board.

The SPPA has recruited additional Risk Managers and is reviewing its Risk Management Framework. The Board Chair and Vice-Chair are actively involved in this review.

The responsibilities for engagement with The Pensions Regulator sits within the Governance Team; SPPA continue to seek an open and transparent relationship with the Regulator and are proactive with required reporting, such as for example to provide notification of the ABS work referenced in 3.2 above.

## 4. Governance

### 4.1 Meetings and Attendance

During the 2019-20 scheme year, the Pension Board met on four occasions at the SPPA's Tweedbank office. Details of the Pension Board members' attendance at meetings are set out below.

Name of Pension Board Member	09/05/2019	08/08/2019	07/11/2019	06/02/2020
	Attended	Attended	Attended	Attended
Michael Prentice – Chair left 31/05/2019	Y	Y	n/a	n/a
Brian Barbour - Chair	Y	Y	Y	Y
Mark Cook - Vice Chair (1/7/19)	n/a	Y	Y	Y
James Ito	Y	Y	Y	Y
Graham McKirdy - left 06/02/2020	Y	Y	Y	N
Philip Coghill – left 31/3/20	Y	Y	Y	Y
Gordon McKay	N	Y	N	N
John White (joined 1/5/19) Left 06/02/2020	N	Y	Y	Y
Kay Sandilands (joined 01/02/2020)	n/a	n/a	n/a	Y

### 4.2 Membership changes to Pension Board

The table below summarises the joiners and leavers to the Pension Board membership over the year

Teachers - leavers	Starters
Michael Prentice - Chair tenure ended 19/5/2019	Mark Cook - Vice Chair – 1/7/2019
Graham McKirdy (member) resigned 6/2/2020	David McColl (member) – 1/3/2020
John White (employer) left 6/2/2020	Craig Black (employer) – 1/10/2019
James Ito (member) tenure ended 31/3/2020	Kay Sandilands (employer) – 1/2/2020
Philip Coghill (member) tenure ends 30/6/2020	

### 4.3 Pension Board Costs

The Pension Board has incurred £2,902.50 of fees and expenses over the course of the year



## 5. Forward Look 2020-21

Looking ahead, there are a number of significant projects which the Agency must manage while continuing to provide a good service to members. In common with most schemes, work to implement Guaranteed Minimum Pension (GMP) equalisation will be a big undertaking. Similarly, following court judgements in the McLeod Sargeant case, the Government is considering the impact on pension schemes and this will lead to additional work for the SPPA for the NHS scheme and for others. The GMP project also highlighted some areas where the quality of data the SPPA holds needs to improve, and this too will be a focus area for 20-21.

The impact and duration of Covid is unknown. Covid has led to different ways of working, and one area where we expect to see progress in is the delivery of improved Member Self Service capability to allow members to choose to get answers to many queries through a web portal, allowing SPPA staff to focus on the more complex member queries and work.

The SPPA will also begin procurement of a new administration system - a complex project which will aim to meet the needs of members and employers moving forward. This procurement and delivery of this system will take several years.

The Board will continue to engage with the SLT to manage the risks that face the NHS scheme or the service members receive.

We have a strong, experienced Pensions Board of employee and employer representatives supported by an independent Chair and Vice-Chair, and we will continue to work with the strengthened SPPA Senior Leadership Team to look after the interests of members and to hold the SPPA Executive to account for the service delivered to members, employers and other stakeholders.