



Scottish Public
Pensions Agency
Buidheann Peinneanan
Poblach na h-Alba

Pension Board Annual Report 2020-2021

Scottish NHS Pension Scheme

Approved by the Scottish NHS Pension Board on 02 November 2021



Table of contents

1. The Pension Board Purpose and Role	3
2. The NHS Pension Scheme	6
2.1 Scheme Membership	6
2.2 Annual Benefit Statements (ABS)	7
2.3 Reconciliation of Scheme's Guaranteed Minimum Pension (GMP).....	7
2.4 GP Pension Contribution Overpayments and Underpayments	8
3. Governance.....	8
3.1 Risk Management.....	8
3.2 Reporting to the The Pensions Regulator (TPR)	9
3.4 Membership changes to Pension Board	10
3.5 Pension Board Training.....	10
3.6 Pension Board Costs	10
4. Look ahead - 2021-2022.....	10

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 (ToR) is maintained by the Pension Board.

Annual Update from the Independent Chair

I wish to thank my colleagues on the Board for their support to me and to the SPPA leadership team during a year that was severely impacted by Covid and lockdown.

The impact of the pandemic on service to members was significant at times although the SPPA prioritised key member demands to ensure critical processes, such as servicing retirements and handling death claims, were carried out as quickly as possible. The SPPA responded to lockdown promptly, with almost all staff operating remotely within two weeks. This was a significant achievement in an office-based organisation and the Board appreciates the effort made by all SPPA staff to deliver a service to members.

For most of the scheme year, the SPPA limited their telephone service to critical processes, encouraging all other contact to be via Email or a form submitted on the Web. The Board monitored service to members at each of its meetings that were held as virtual meetings rather than in person. The Board encouraged the SPPA to move as close to a business as usual service as possible, and it is encouraging that the telephone service has now opened up to normal member contact albeit with restricted opening hours. The SPPA has been asked to develop a plan to move a full business as usual service as quickly as possible.

The NHS Customer Satisfaction score dropped to 64% in 2020/21 although there was positive feedback on service received and helpfulness of colleagues. The two main negative trends were the reduction of the telephony service and customers not being able to access estimates.

There is a regulatory requirement to provide Annual Benefit Statements (ABS) to members, and it was disappointing that despite progress in the number delivered to members online, the statements had to be withdrawn to be corrected resulting in the target date being missed. This, and a problem with Annual Pension Increases that affected a small number of members and was corrected the following month, were reported to The Pensions Regulator (TPR), and action has been taken by the SPPA to ensure neither problem recurs.

The SPPA has undertaken major improvements to its Administration system, but plans to extend Member Self Service portal (MSS) have been delayed. The Board will continue to press for investment in self-service to be to enable service to

members outside the traditional 9am to 5pm service hours, and to drive cost efficiencies in the SPPA.

The Board, in line with regulator expectations, continues to play its part in Risk Management. The SPPA has changed the way it manages risk and the Board discusses Risks, constructively challenging the risk assessments and actions at each of its quarterly meetings.

This has been a difficult year primarily due to the impact of the pandemic, and the Board will continue to work constructively with the SPPA's Senior Leadership Team to ensure that members and other stakeholders get the administration service that they expect.

Brian Barbour
Independent Chair

2. The NHS Pension Scheme

2.1 Scheme Membership

There were 196,929 active members in the scheme as at 31 March 2021, an increase of 18,337 or just over 10%. Contributions totalling £1,848m were managed and £1,129m in pensions was paid to 111,410 pensioner members. There are also 60,105 deferred members of the scheme.

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:

- 99.73% of new awards were paid on time. (2019 – 99.8%)
- 100% of “death in service” payments were paid on time. (2019 – 100%)
- 99.85% of “death in retirement” payments were paid on time. (2019 – 100%)
- 100% of divorce calculations were produced on time. (2019 – 100%)

New payment calculation accuracy was below target although this has improved since 2019 and, where necessary, payments were recalculated to ensure all payments made were accurate. The SPPA is focussing on increasing the number of payments so that members are paid the correct amount as it becomes due. Right first time, and on time.

The SPPA also handled significant numbers of calls and emails, although the pandemic affected call volumes as calls were restricted to critical processes throughout the majority of the year. 25,527 calls were handled, with an average time to answer of 34 seconds (against a target of 60 seconds). Work is underway to improve call answer time, but still ensure that the vast majority of calls are handled to completion during the first calls. Customer satisfaction sampling shows over 88% of customers are satisfied with the service they receive.

Complaint levels increased from 102 in 2019 to 108. The proportion upheld in the complainants’ favour increased to 51% with 21% partly upheld. It should be noted that complaints equates to 29 per 100,000.

The SPPA had plans to increase the functionality of the member self service portal, but these were suspended due to a combination of technical issues and lack of resource due to the pandemic. The Board has asked the SPPA to increase its focus on member self service to improve service to members and to release SPPA staff to focus on service improvements and complex processes. It is worth noting that the SPPA has started a procurement exercise to acquire a new administration system. This is expected to deliver a new administration system in 2025, and the Board has asked the SPPA to consider appointing a non-executive critical friend to the procurement project board.

2.2 Annual Benefit Statements (ABS)

There is a statutory obligation to produce ABS for active members of the Scheme. By the statutory deadline of 31 August 2020, the SPPA had delivered the vast majority for active NHS pension scheme members via the SPPA My Pension Online Member Service. Unfortunately, a technical problem was identified resulting in the online statements being withdrawn to be corrected.

Most statements were uploaded again quickly and by 17 December 2020 a total of 171,070 ABS were available (99.08%). 1,580 statements (0.92%) were not produced automatically, and the SPPA provided a statement if requested by the member.

2.3 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 Final Data Cut was received 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 are 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.

2.4 GP Pension Contribution Overpayments and Underpayments

General Practitioners pay tiered layers of pension contributions based on their total earnings that may be across several employers, and employees are responsible for notifying employers of the correct tier to be applied to their contributions.

During 2019, the SPPA identified that a number of GPs had overpaid contributions and a similar number had underpaid contributions. The SPPA has undertaken a comprehensive data analysis to understand the extent of over and under payments, and has put in place processes to ensure the problem does not get worse as the root cause is resolved.

The SPPA has not yet informed affected members however is working with NHS employers to agree a method to repay contributions that have been overpaid, and to collect contributions where there has been an underpayment. As a result of legislation, the SPPA may only collect underpayments for the last five years. The SPPA is working to prioritise repayments and contribution collections on those closest to retirement, and all repayments and contribution collections should be completed by 2022.

3. Governance

3.1 Risk Management

Throughout the year board members received copies of the SPPA Risk Register including key risk areas, 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 mitigating actions to bring the risk within the NHS Pension Board's risk appetite.

Agency-wide risks were governed by a Risk Governance Group (RGG) made up of senior staff from across the Agency plus a non-executive member, and normally considered risk assessments quarterly, but due to the pandemic impact this group only met three times. A Risk Champions Network, which is a Scottish Government initiative, has now replaced the RGG.

SPPA recruited an experienced Risk Manager in 2020; The Risk Manager is now working with the vice-chair to produce a NHS Pension Board-specific risk register. This is in addition to the heat maps currently presented to the Board on the SPPA Corporate Risks. The board-specific heat map will be published in the NHS Pension Board reports for year 2021-2022 and onwards.

3.2 Reporting to the The Pensions Regulator (TPR)

The SPPA has reported the following incidents to TPR. Recovery plans were set and agreed with TPR where appropriate.

- GP contribution over and under payments.

As highlighted in Section 4.4, the SPPA identified that some GPs had overpaid contributions and a similar number had underpayments. TPR was informed and are being kept aware of the plans to rectify by 2022.

- Annual Benefit Statements

The SPPA has a statutory requirement to produce ABS for active members by 31 August each year. In 2020, ABS were successfully loaded to the web portal, but an error was identified and the statements were withdrawn. TPR was informed and a recovery plan was implemented resulting in ABS being available by the end of November 2020.

3.3 Meetings and Attendance

During the 2020-2021 scheme year, the Pension Board met on three occasions, all held virtually as a result of the pandemic. The Board would normally meet each quarter but at the start of the pandemic, one meeting was cancelled to allow the SPPA to focus on its remote working protocols.

Details of the Pension Board members' attendance at meetings are set out below.

Date of meeting	09/07/2020	29/10/2020	09/02/2021
Member Name	Attended	Attended	Attended
Brian Barbour - Chair	Y	Y	Y
Mark Cook - Vice Chair	Y	Y	Y
Graeme Eunson (joined 1/5/2020)	Y	Y	Y
Claire Pullar (joined 1/6/2020)	Y	N	Y
Craig Black	Y	Y	Y
Gordon McKay	N	N	Y
David McColl	Y	Y	Y
Tom Wilson (joined 1/7/2020)	Y	Y	Y
Kay Sandilands	Y	N	Y

The Board will undertake a self-assessment of its effectiveness in Q4 2021. Results will be analysed and any improvements required will be discussed and implemented.

3.4 Membership changes to Pension Board

Three members joined the NHS Pension Board in 2020-2021, and one employer vacancy remains. Recruitment is underway to fill this post.

3.5 Pension Board Training

During the year the board received virtual training from The Pensions Regulator on their Governance & Administration Survey, and from Government Actuary's Department who provided an overview of the NHS Pension Scheme.

3.6 Pension Board Costs

The Pension Board has incurred £3,235.00 of fees and expenses over the course of the year.

4. Look ahead - 2021-2022

Looking ahead, there are a number of significant projects 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 is still underway. 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 2021 onwards.

The impact and duration of Covid was significant. The SPPA has begun the process of returning to business as usual service although the vast majority of staff continue to work remotely in line with guidance from the Scottish Government. The Board has asked the SPPA to provide a service to members that is as close to pre-pandemic levels as quickly as possible. The Board has also asked the SPPA to accelerate the implementation of improved member self-service capability, and to overcome the technical challenges preventing it from doing so. MSS will help 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, as well as providing efficiency savings

The SPPA has begun procurement of a new administration system - a complex project that aims to meet the needs of members and employers moving forward. This procurement and delivery of this system will take several years, but in the meantime will require to be resourced from within the current budget.

The Board will continue to engage with the SLT to manage the risks that face the NHS scheme or the service members receive. The Board will also undertake a board effectiveness survey to ensure it has the skills and understanding to support the SPPA in its objectives and to provide constructive challenge.

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.