



Scottish Public
Pensions Agency
Buidheann Peinneanan
Poblach na h-Alba

Scottish NHS Pension Board 2021-22 Annual Report

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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. Annual Update from the Independent Chair

I wish to thank my colleagues on the Board for their support and their support to the SPPA leadership team during a year where service to members was still impacted by the pandemic and guidance from the Scottish Government in relation to working remotely.

Although the impact of the pandemic on service to members was less than the previous year, the Board emphasised to the SPPA the need for service to return to normal pre-pandemic levels. It took until December for this to happen, and service levels are being closely monitored. Service was also impacted by a significant increase in NHS retirements, something that will continue into 2022. Key Performance Indicators for SPPA service levels are provided later in Annex A.

The SPPA faced significant challenges in 2021 and will continue to do so for several years to come. Service to members will remain the number one priority, particularly for retirements and death claims, but the SPPA has also a number of major programmes of work that must be completed. In summary, these are:

- The Contributions Project which aims to ensure all pension contributions paid to the SPPA are correct, with any underpayments rectified and overpayments refunded.
- The Pension Platform Programme (PPP) – a multi-year, multi-million pound programme to deliver a new fit-for-purpose pension system, replacing many existing systems.
- Annual Benefits Statements (ABS). A project to improve on the percentage of Annual Benefit Statements delivered to members by 31 August each year to meet member needs and regulatory requirements.
- McCloud/Sargeant (The “2015 Remedy” Project) to deliver a solution following a court decision that some aspects of public sector pensions early retirement were discriminatory.

The Board had expressed concern at lack of stability in the SPPA Leadership team, and is pleased to note that a new Leadership Team is now in place, with continuity provided by the re-appointment of David Robb, interim CEO, as permanent CEO. Leadership team stability is essential to the success of the SPPA in delivering service to members and delivering its extensive programme of work.

The Board also expressed concern at the SPPA’s staff turnover rate, and is pleased to note that the number of Full Time Equivalent (FTE) staff has increased and that staff are being recruited in advance of the demands of the PPP. The Board have highlighted that delivery of the Pension Platform Programme (PPP) is a pre-requisite for improvements in SPPA service and efficiency, and increased member self -service capability through a web portal.

The Board, in line with regulator expectations, continues to play its part in Risk Management. Following the appointment of a new Risk Manager, the SPPA has improved its Risk Management; the Board discusses Risks, constructively challenging the risk assessments and actions at each of its quarterly meetings.

In summary, 2021 has been another difficult year, but the changes to the leadership team, a focus on successful delivery of projects while delivering key service to members, allows us to be reasonably optimistic that we are on an improving trend. 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 have a right to expect.

Brian Barbour
Independent Chair

3. The NHS Pension Schemes – key numbers

3.1 Scheme Membership

We have a total of 379,799 members of which 30% are pensioners, and almost 16% deferred members. Total membership is 3% higher than last year, and almost 9% higher than in 2019/2020.

The scheme manages contributions of approximately £2bn (2020 - £1.848.7 million), and paid out over £1bn to 116,271 pensioner members (2021 - £1.136.8 million).

3.2 Key Performance Indicators

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

- 99.55% of new pensions were paid on time, down slightly from 99.73% last year
- 99.41% of “death in service” payments were paid on time, down from 0.6% last year
- 99.92% of “death in retirement” payments were paid on time, up from 99.85% last year
- 100% of divorce calculations were produced on time, the same as last year.

Given the impact of the pandemic, and remote working, the Board understands where service standards have slipped slightly, but have asked the SPPA to concentrate on “right on time, first time” standards in order to meet member expectations.

New payment calculation accuracy was below target but higher than in 2020. The actual payments made were recalculated to ensure all payments that were made were correct. The SPPA is focussing on driving up the number of payments so that members are paid the correct amount as it becomes due, on time – right first time.

The SPPA also handled significant numbers of calls and emails, although the pandemic affected call volumes, as calls were restricted to critical processes for a significant proportion of the scheme year, returning to full service only in December 2021. Across the Schemes managed by the SPPA, call volumes almost tripled to 66,508 resulting in an extended time to answer of over 5 minutes compared with 34 seconds in 2020. Mail volumes decreased from 153,395 to 141,963. The SPPA has invested in a new Management Information System and the Board expects to see improvements in the scheme-specific data it receives. This will help the Board to hold the leadership team to account for the service to members.

Complaint levels decreased from 108 in 2020 to 93, with the proportion upheld in the complainants’ favour remained at 51%, and those partly upheld rising slightly to 26% from 21%. It should be noted that although each complaint is important, the total number of complaints is very small equating to 24 complaints per 100,000 members.

The member self-service web portal had over 360,991 views – a significant increase from 308,857. The Board has stressed the importance to members of self-service capability, and efficiency, to the SPPA. However, the self-service functionality is unlikely to be improved until completion of the Pensions Platform Project which is

outlined later in this report. Procurement of the new platform has started and the Board has asked the SPPA to consider appointing a non-executive critical friend to the project board.

4. The Pension Board

4.1 Composition

Member Name	Nominated by	Date Joined the Board
Brian Barbour - Chair	Independent	20/08/2018
Mark Cook - Vice Chair	Independent	01/07/2019
Graeme Eunson	British Medical Association	01/05/2020
Tom Wilson	Royal College of Nursing	01/07/2020
Gordon McKay	UNISON	01/04/2015
David McColl	British Dental Association	01/03/2020
Claire Pullar	Managers in Partnership	01/06/2020
Craig Black	NHS Lothian	01/10/2019
Kay Sandilands	NHS Lanarkshire	01/02/2020
Ailsa Paterson	NHS Borders	01/02/2022

4.2 Meetings and attendance

During the 2021-2022 scheme year, the Pension Board met on four occasions, all held virtually as a result of the pandemic and Scottish Government guidance. The Board expects to move to hybrid meetings in May 2022, with a move toward on-site board meetings from September onwards.

Pension Board Member	Attendance			
	04-May	27-Jul	02-Nov	17-Feb
Independent Members				
Brian Barbour - Chair	Y	Y	Y	Y
Mark Cook - Vice Chair	Y	Y	Y	Y
Member Nominated				
Graeme Eunson	Y		Y	
Tom Wilson	Y	Y	Y	Y
Gordon McKay	Y	Y	Y	Y
David McColl	Y	Y		Y
Employer Nominated				
Claire Pullar	Y		Y	Y
Craig Black	Y		Y	Y
Kay Sandilands	Y	Y	Y	Y
Ailsa Paterson	N/A	N/A	N/A	Y
Average	100%	67%	89%	90%

4.3 Training and development

Training webinars were arranged by SPPA and member attendance is outlined below.

Member	The Pension Ombudsman	ABS Process	GAD Valuations Process	Cyber security
Brian Barbour - Chair	Y	Y	Y	Y
Mark Cook - Vice Chair		Y	Y	Y
Graeme Eunson	Y			
Tom Wilson	Y	Y	Y	Y
Gordon McKay			Y	
David McColl				
Claire Pullar	Y	Y		Y
Craig Black		Y	Y	
Kay Sandilands	Y	Y	Y	Y
Ailsa Paterson	N/A	N/A	N/A	N/A

The Board has encouraged SPPA to record training webinars to allow greater board member participation, given there are practitioner members who cannot always commit time for training during normal hours.

The inability to record is a long-standing issue, SPPA has raised this with Scottish Government IT without success. Board members have experienced recording within other areas of Government and are disappointed as the inability to record is having a detrimental impact on members fulfilling their responsibilities

4.4 Effectiveness

The Board undertook a self-assessment of its effectiveness in Q4 2021. Results were analysed and discussed at the Board meeting in December 2021. The response rate was lower than expected and members have been asked to complete future self-assessments in a timely manner. Improvements to Board operation are underway, and we expect to see an improvement in the Board's assessment of its effectiveness at the next self-assessment in December 2022.

4.5 Costs

The Pension Board has incurred £3516.00 of fees and expenses over the course of the year.

5. Projects

The SPPA had a significant number of projects underway, namely:

- Annual Benefit Statements
- Practitioners Contribution Remediation Project
- GMP reconciliation
- Pensions Platform Programme
- McCloud/Sergeant (2015 Remedy)
- Pensions Dashboard

Each project is described in more detail below. These projects have a significant impact on the service members receive from the SPPA; the Board received and discussed project progress at each of its meetings, ensuring member interests are at the forefront and projects deliver the expected outcomes. Where the Board requires

additional assurance about particular project progress or issues, further updates are provided between board meetings, or on occasion, extra meetings are scheduled.

5.1 Annual Benefit Statements

There is a statutory obligation to produce Annual Benefit Statements (ABS) for **eligible active** members of the Scheme. By the statutory deadline of 31 August 2021, the SPPA had delivered the vast majority of Annual Benefit Statements for active NHS pension scheme members via the SPPA My Pension Online Member Service. Although the number of successful ABS delivered in each of the last three years has been on an upward trend with 97.73% of statements (181,267) available by the statutory deadline, the SPPA failed to meet the 100% requirement and reported this failure to The Pensions Regulator.

At the end of the scheme year, over 1,800 statements had not been loaded to the self-service portal, although members can request these statements on an individual basis.

The SPPA has already started its 2022 ABS project and aims to meet its statutory obligation. The Board will monitor project progress closely.

5.2 Practitioners Contribution Remediation Project

(previously known as Practitioner over & under payments)

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 a reconciliation exercise, the SPPA identified that several thousand members have incorrect contributions due to members contributing at the wrong tier based on their total earnings.

The SPPA has worked closely with employers to remind practitioners and employers of the importance of establishing total remuneration upon which tiered contributions are based and is confident that contributions in future years will be correct.

Analysis identified that rectification would be significantly more complex than initially envisaged, and given this complexity, a Project Manager was recruited, beginning work in November 2021; a pilot group involving selected employers, SPPA customer services and the project team is in the process of being created with the intention of commencing a pilot in July 2022, this is subject to SPPA being appropriately resourced.

A high level road map has been created which SPPA aims to populate the roadmap following the conclusion of the pilot in Oct 2022, when additional communication will also take place with those who have unpaid contributions. The initial indications from the SPPA are that the leak needs to be fixed prior to repayment or collection of contributions.

The SPPA has informed members who have under-contributed and the five-year legislative limit on collecting under-collected contributions has now started; The SPPA will work towards prioritising repayments and contribution collections on those closest to retirement.

Although the impact on individual members may be significant, the Government's Actuarial Department has confirmed the cost is not material in terms of overall scheme funding.

5.3 Reconciliation of Scheme's Guaranteed Minimum Pension (GMP) with HMRC records

As is the case with most UK pension schemes, work continued 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), and to inform members of any changes in their payments.

The Board received routine updates on planning and progress throughout the year, and overpayments rectification has been successfully completed with 7,000 letters issued to pensioners and dependents in the NHS Scheme (and the Teachers' Scheme. Around 3,500 per scheme). Only a few queries have been received and these have been handled individually.

Underpayment rectification completed in mid-January for a Jan 31 payment date. Around 900 pensioners received arrears of pension as well as an increase to their annual pension.

Testing for members who have not yet reached state pension age took place in February and early March with GMP value updates to Altair Live completed by end March 2022. As these members' pensions are not yet in payment, there will be no visible impact on members, and pensions on reaching state pension age will be correct and need no rectification.

5.4 Pensions Platform Project (PPP).

The Pensions Platform Project, initiated in June 2022, will provide new systems for all of the schemes administered by the SPPA. A procurement exercise is currently underway and a Programme Manager has been appointed. The programme will ensure pension and payroll service continuity beyond March 2026 when the current contract for the provision of these services ends, and as importantly, to be the enabler for member driven operational improvement and efficiency.

The project carries significant risk to the SPPA's operations and Government Gateway reviews have been undertaken to assess the programme; The Gateway review recommendations have been accepted by the SPPA and shared with the NHS Pension Board. The programme requires significant investment, and Scottish Government approval has been given for the strategic outlines case to procure a new platform, and transform the agency. A competitive open procurement exercise is due to complete in October 2022, subject to appropriate approvals.

Three years have been allowed for transitioning all members across all schemes to the new platform, starting in November 2022 and running through to November 2025, including contingency. The migration approach will be highly iterative and collaborative and will be sequenced broadly scheme by scheme. Members of all

schemes will be involved in planning, service design and the overall ‘customer journey’.

The Board receives updates on programme progress at each of its meetings and has an opportunity to support and challenge the Programme Manager to maximise the prospect of successful completion of the project. The Board has requested that a member from one of the SPPA Pension Boards is appointed to the PPP Programme Board as a critical friend, as happened during the administration system upgrade programme in 2020.

5.5 McLeod / Sargeant – The “2015 Remedy” Project

Reforms introduced to NHS (and Teachers, fire-fighters and Police schemes) in 2015 had transitional arrangements for older members that the Court of Appeal subsequently found were discriminatory against younger members on the grounds of age. This project will implement changes to ensure that members have a choice, at retirement, on whether to be treated as a member of the old scheme or the 2015 scheme for the period from 1 April 2015 until 31 March 2022. From 1 April 2022, everyone will be moved to the 2015 scheme for service from then onwards.

This is a major project for the SPPA, and all SPPA Pension Boards are being kept informed of progress through regular briefings and updates at Board meetings. Board members also have an opportunity to influence member communications.

5.6 Pensions Dashboard

The SPPA will be required to provide data to the DWP’s proposed Pensions Dashboard. The dashboard aims to enable members of the public to see all their pensions through a single web-portal. SPPA resource will be needed over the next three to four years and is in the early stages of feasibility and regulatory consideration. A more comprehensive update will be provided in next year’s Annual Report.

6. Governance

6.1 Risk Management

Throughout the year board members received copies of the SPPA 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.

Following recruitment of a Risk Manager, the vice-chair is leading work with the risk manager to develop and NHS Pension Board specific risk register. This work has taken longer than planned and will not complete until the 2022/23 scheme year.

6.2 Self-reporting to The Pensions Regulator (TPR)

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

- Pension Savings Statements.

A small number of Pensions Saving Statements (PSS) were not issued by the legislative date of 6th October 2021.

- Annual Benefit Statements (ABS).

As highlighted in Section 5.1, the SPPA identified that a small number of ABS (4K out of a total of 181k) were not issued by the legislative date of 31 August 2021. The members who do not have their ABS loaded onto member self-service, can make a request for an annual benefit statement to be loaded on an individual basis.

The 2022 ABS project has started with an aim of delivering all annual benefit statements by the legislative date recognising the dependency on accurate employer data.

7. Look ahead to 2022-2023

The SPPA has a strengthened leadership team, and aims to focus on member and stakeholder needs. Placing the member experience at the heart of SPPA's thinking will require a change in mind-set from meeting basic regulatory requirements, to really understanding the needs of members and other stakeholders, and delivering these.

This would be a challenge at any time, but with recruitment and retention challenges, and the time it will take to implement a new pension platform, the SPPA will need to work hard to make progress pending delivery of new systems.

The SPPA does need to be more ambitious – examples are delivery of Annual Benefit Statements to all members and not just active members; delivery of Pensions Savings Statements to all appropriate members rather than a subset of members; delivering enhanced self-service capabilities on the member web portal, and of course, improving engagement with key stakeholders such as employers.

The Board understands that the performance metrics may only improve slowly given the people and financial constraints on the SPPA. Significant improvements may only happen when the new Pensions Platform is in place. The Board will monitor progress and challenge the SPPA to deliver all the improvements it can under the current constraints.

This journey will not be easy, but with a stable leadership team, good management of projects, and addressing retention and recruitment, the SPPA can deliver on its aims.

The Board will work with the SPPA not just to hold it to account for delivery of service to members, but also to support the leadership team in delivery of its objectives.

As happened in 2021, the Board will undertake a board effectiveness survey to ensure it has the skills and understanding to support the SPPA 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.

Annex A - Customer Metrics

a. Scheme Membership

Membership	March 2021	March 2022
Members refers to “active” members specifically	196,929	202,993
Pensioners includes widows/dependants	111,410	116,271
Deferred	60,105	60,535

b. Customer Contacts

Agency figures - not per scheme

KPI's	2020/21	2021/22
Ave Answer time	34 seconds	5 minutes 15 seconds
Call Volume	25,527	66,508
Email response %	57%	52%
Email volume	153,395	141,963

c. Website views

Website views	2020/21	2021/22
Total views	308,857	360,991
Calculator views	160,247	163,339

d. Complaints

Complaints	2020/21	2021/22
Received	108	93
Upheld	55	47
Partly upheld	23	24
Not upheld	37	22
KPI	90.43%	91.40%

e. Year-on-Year Key Performance Indicators

Key Performance Indicators	Target	Volume	2020/21	Volume	2021/22
New Awards (Timeliness)	98%	6409	99.73%	8018	99.55%
New Payments Accuracy	95%	8575	93.00%	11603	94.66%
Death in Service	98%	143	100%	170	99.41%
Death in Pension/ Retirement	98%	1344	99.85%	1264	99.92%
Transfer Value In (quote)	100%	405	95.31% (95.80%)	696	78.30%
Transfer Value In (actual)	90%	735	21.63%	1120	30%
Transfer Value Out (quote)	100%	138	90.58% (100)	200	96.50% (99.50%)
Transfer Value Out (actual)	100%	291	97.94% (98.97%)	384	95.31% (99.22%)
Estimates	90%	1672	39.35%	1480	43.58%
Divorce CETV	100%	353	100%	401	100%
Divorce PSOD	100%	40	100%	39	100%
Refunds	97%	1460	99.18%	1743	88.70%
Ministerial replies	100%	5	100%	5	100%
Payroll/ Existing Pension (Changes)	98%	1135	99.21%	1000	99.71%
Annual Statements	100%	175009	4.47%	181267	97.73%
Annual allowance	100%	978	91.00%	4123	91.6%
Records Maintenance errors	95%	448	99.77%	694	99.66%
Records Maintenance up to date	97%	222598	99.69%	233156	99.70%