

“Shadow” Pension Board Annual Report covering the period July 2014 to March 2015

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1. Introduction

The Public Service Pensions Act 2013 requires the establishment of a Pension Board from 1 April 2015 with the responsibility for “assisting the Scheme Manager” in securing compliance with all relevant pensions law, regulations and directions in respect of the National Health Service Pension Scheme, as well as with the Pension Regulator’s Codes of Practice for Public Sector Schemes. Since this Board represents a significant additional layer of governance and oversight, it was apparent that a considerable amount of work needed to take place to ensure it was fully operational and able to perform its role effectively from April 2015. Consequently, it was agreed that the Board should be established well in advance, to allow sufficient time for recruitment and training of Board Members, and to allow the development of appropriate agendas, reporting and management information.

During this preliminary ‘shadow’ operating period, the Board has been constituted as the ‘Shadow NHS Pension Board’. Going forwards, the Pension Board will report annually on its work, providing assurance as required and making any recommendations for changes to the Scheme Manager as appropriate. Whilst an annual report is not a requirement during the shadow operating period, the Board felt that it was appropriate to provide a summary of its work to date, assessing its state of preparedness to undertake its full responsibilities from April 2015 onwards.

2. Executive Summary

The Shadow NHS Pension Board met three times between October 2014 and March 2015. During this period, it agreed its Terms of Reference, devised a work plan for the shadow operating period, and delivered against that work plan in full.

Particular focus was given to the completion of training for Pension Board members; the establishment of a standard meeting agenda and the development of a new reporting and management information pack to allow the Board to carry out its oversight responsibilities.

At the end of the shadow operating period, the Board concluded that it was ready to commence the formal performance of its responsibilities from April 2015, and agreed a revised Terms of Reference, together with a work plan and objectives for the year 2015/16. A particular focus of this work plan will be on the development of enhanced engagement and communication oversight, since this was an area where it was identified during the Shadow operating period that there was considerable opportunity for further enhancement.

Since formal performance reporting did not commence until the end of the shadow operating period, there are no specific recommendations to be made at this stage. A full report on the administrative performance of the scheme together with any recommendations for improvement will be produced at the end of April 2016.

Fuller details of the work undertaken to date and the objectives and approach planned for the year ahead are set out in the report below.

3. Background – NHS Pension Scheme

The National Health Service Pension Scheme (NHSPS) provides pensions to employees who have worked in the National Health Service. It has two sections (1995 Section and

2008 Section) and provides defined benefits based on final salary for most members, with the exception of practitioners who were on the career average. The 1995 section has a normal pension age of 60 and an accrual rate of 1/80 (with an automatic lump sum of 3 times the pension). The 2008 section has a normal pension age of 65 and an accrual rate of 1/60 (with lump sum by commutation only). Both sections provide benefits to practitioners on a career average, rather than final salary, basis.

A new scheme (NHSPS 2015) was introduced from 1 April 2015. The 2015 scheme provides benefits on a career average basis, has normal pension age equal to State Pension Age, an accrual rate of 1/54, and revaluation of CPI+1.5% a year while in service and CPI out of service to all. In both schemes member contribution rates are tiered based on members' pay. Both schemes are unfunded occupational schemes backed by the Exchequer.

The 2015 scheme is open to all NHS employees and employees of other approved organisations. Most active members of the NHSPS (some 1m individuals) transferred to the 2015 scheme on 1 April 2015. Under transitional arrangements aimed at providing protection for those nearest retirement age, some older member are continuing in the NHSPS until they leave due to retirement or otherwise, while others will transfer to the 2015 Scheme at a later date. There are some 1.4m contributing members across the schemes with pensionable pay of over £40bn. Pensions are paid to around 0.8m pensioners amounting to around £6.5bn per annum. A further 0.6m members no longer contributing to the schemes retain entitlement to receive a pension at retirement. Both members and employers contribute to the schemes. Members pay between 5% and 14.5% of pay, depending on their earnings. With effect from 1 April 2015 employers pay 14.3%. Total contributions to the schemes are around £10bn pa, with benefit payments of around £9bn. Benefit payments are increasing year on year and are expected to exceed contribution receipts within the next few years. The total liabilities of the scheme shown in the accounts at 31 March 2014 were £337.2 billion.

4. Shadow NHS Pension Board – Membership

Independent Chair:

Rachel Court

Member Representatives:

<u>Name</u>	<u>Employing Organisation</u>
Dr Alan Robertson followed by Dr David Bailey	British Medical Association
Geoff Lester	Federation of Clinical Scientists
Nicola Lee	Royal College of Nursing
Paul Moloney	Society of Radiographers

Alan Fox	UNISON National Pensions Officer
Barrie Brown	Unite - National Officer Health

Employer Representatives:

<u>Name</u>	<u>Organisation</u>
Andrea Hester	NHS Employers – Assistant Director of Pensions and Reward
Wayne Evans	NHS Wales Shared Services Partnership – Deputy Payroll & Pensions Manager
Bryan Logan	Royal Devon & Exeter NHS Foundation Trust – Pensions Account Manager
Christine Boon	Care UK – Group Pensions Manager
Penny Brodie	Royal Berkshire NHS Foundation Trust – Employee Benefits/Pensions Team Manager
Peter Patel	Grange Hill Surgery – Partner (also Interim Chair – South Birmingham Commissioners Network – Birmingham South Central CCG)

5. Shadow Pension Board Terms of Reference

Terms of Reference for the Shadow Pension Board were agreed by the Board. A copy can be found in Annex A. The Terms of Reference have been reviewed and amended at the end of the shadow operating period

6. 2014/15 Objectives and Work Plan

5.1 Objectives

Following its establishment in the summer of 2014, the Shadow Pension Board met three times in the 2014/15 financial year. The Board initially agreed the following objectives for the shadow operating period as follows:

- (i) To ensure that all Pension Board members have completed a training needs analysis to identify any training requirements to be addressed prior to April 2015.
- (ii) To ensure that all Pension Board members have undertaken any required training.
- (iii) To review recent NHS Pension Scheme Administrators KPI Performance Report to familiarise Pension Board members with past performance, identify areas for scrutiny and agree future management information reporting requirements.
- (iv) To establish a standard approach/agenda for Pension Board meetings to evaluate and critique the performance of the NHS Pension Scheme administrators. This will include the review of:
 - a. Performance / Compliance Data
 - b. Scheme Communications
 - c. BSA Annual Reviews

- d. Future Financial Requirements
- e. How the Board deals with problem cases/exception handling
- (v) To consider annual report from the Pension Regulator, including any responses to recommendations.
- (vi) To develop Pension Board Work Plan for 2015/16.
- (vii) To develop the Pension Board Annual Report summarising the work of the Board and making recommendations to the scheme manager where appropriate.
- (viii) To ensure that there is a constructive working relationship with stakeholders and that they have total clarity on the Pension Board's role and objectives.
- (ix) Review the operation of the Shadow Pension Board arrangements, to enable suitable changes in the move to the formal Pension Board

5.2 Progress against objectives

The Shadow Pension Board has made excellent progress against these objectives, and has also done additional work beyond these stated objectives. This has resulted in the Board being in an excellent position to meet its obligations following its transition from the shadow to the live operating period in April 2015.

A summary of progress against each of the objectives and of other achievements during the shadow period is set out below:

Objectives (i) & (ii) – training

A training needs analysis was completed by all Shadow Pension Board members in September 2014 and a comprehensive training plan was put together to ensure these needs were addressed. All aspects which were due for completion by the end of the shadow operating period have been satisfactorily delivered, including completion by all Board members of the Pensions Regulator's new e-learning suite for Public Sector Schemes.

A further training needs analysis has been instigated to establish whether there are any more in-depth individual needs following the completion of the initial stages of the training plan, and any such individual needs will be explored further in one to one discussions between the Chair and individual board members by July 2015. Following these discussions, a new training program for the next 12 to 18 months will be established. Individual training logs have been established for all board members, and a process has been put in place to ensure induction training is provided to new members who join the Board in future.

Full details on the approach to training to date are set out in section 6 of this report.

Objectives (iii) & (iv) – Review of KPI performance and establishment of a standard agenda and MI pack.

The Pension Board has engaged with the NHSBSA to develop a 'standard' reporting pack setting out quarterly and year to date performance against a number of key headings including:

- Transaction volumes
- Customer Insight
- Service performance KPIs
- Quality Assurance checks

- Complaints and internal dispute resolution
- Pension Ombudsman cases
- Probity & control – internal & external audit
- Pensions Regulator Reporting
- Breaches of law.

A summary of the metrics and KPIs used and reviewed by the NHS Shadow Pension board can be found in Annex B.

NHSBSA have provided training to Board members to provide context and ensure understanding of the data provided. Board members have also had the opportunity to visit the NHSBSA site in Fleetwood, in order to provide a greater understanding of the operation, and to assist in the contextualisation of the MI reporting.

Two quarters of 'live' data have been reviewed by the Board during the shadow period. This has served two purposes:

- To allow suggestions to be made for the enhancement and refinement of the reporting pack itself
- To identify 'live' issues, for example, around a KPI breach and a non-payment of employer contributions in Q4, and to establish processes for how such issues are handled – e.g. consideration around when an issue is 'materially significant' for the purposes of reporting to the Pensions Regulator.

It is anticipated that the pack will be enhanced further going forwards based on the experience of utilising it through the Board's processes.

Objective (v) – Pension Regulator Annual Report

An Annual Report has not been produced by the Pensions Regulator during the shadow operating period. However, engagement with the Regulator has been progressed during the shadow period as follows:

- One to one introductory meeting between the Independent Chair and the Pensions Regulator.
- Engagement by a subset of the Board in a workshop run by the Government Actuaries' Department at which the Regulator presented
- Presentation by the Pensions Regulator to the January Shadow Pension Board Meeting
- Ensuring board members are fully familiar with the Pensions Regulator's Code of Practice for Public Sector schemes, including completion of the full suite of e-learning modules on this subject by board members.

The Pension Board will consider Annual Reports from the Regulator going forwards, immediately following their publication.

Objective (vi) – 2015/16 work plan

A provisional work plan for 2015/16 was agreed at the final meeting of the Shadow Pension Board in March 2015, and was signed off by the Pension Board in July 2015. The full details of the objectives and work plan for 2015/16 are set out in Section 8 of this report.

Objective (vii) – Annual Report for the shadow operating period

This Report represents the summary of the work of the Shadow Pension Board and was approved by the Board in July 2015.

Objective (viii) – Stakeholder Relationships

Since this is a new Governance Structure, and has been created from scratch, it has been important to ensure clarity among stakeholders as to how all the different parts of the structure fitted together, and how the Pension Board would interact with other existing structures and Governance processes.

The Independent Chair, supported by representatives of the Department of Health, has established dialogue and begun to build relationships with key stakeholders as follows:

NHSBSA - following initial introductory and ad- hoc meetings, regular quarterly ‘pre-meetings’ have been established with the leadership team at the NHSBSA. Members of the NHSBSA team are invited to attend Pension Board meetings, and have done so at all meetings to date, providing extremely constructive input. A Non-Executive member of the NHSBSA’s own Board, Malcolm Green, attended the January meeting, and ongoing relationships have been both constructive and supportive.

Shadow Scheme Advisory Board (SSAB) – since this is the other new pillar of the NHS Pension Scheme governance arrangements, it has been important to ensure that each Board is aware of the responsibilities and work of the other. The establishment of dialogue between the two Boards has been facilitated by means of quarterly meeting between the Shadow Pension Board’s Independent Chair and the Co-chairs of the SSAB. These meetings have resulted in useful dialogue around issues of common interest to both Boards such as training and communication, and it is planned to continue this quarterly exchange of information and ideas.

The Pensions Regulator – see objective 5 above

The DH team responsible for the BSA contract – a representative attended the January 2015 Shadow Pension Board meeting, and further discussions are planned to ensure that the Pension Board has the appropriate opportunity to feed in to the agreement of KPIs etc in new contracts going forwards.

Objective (ix) – transition from shadow to live operation

At its March 2015 meeting, the Shadow Pension Board considered whether there were any changes to its mode of operation required by the transition to live operation. A small number of changes were agreed including slight amendments to the Terms of Reference. In addition, a new work plan for the first year of live operation was considered (see Section 8 of this Report). In all other respects, the Board believes that is now fit for purpose to fulfil its mandate in the live operating period going forwards.

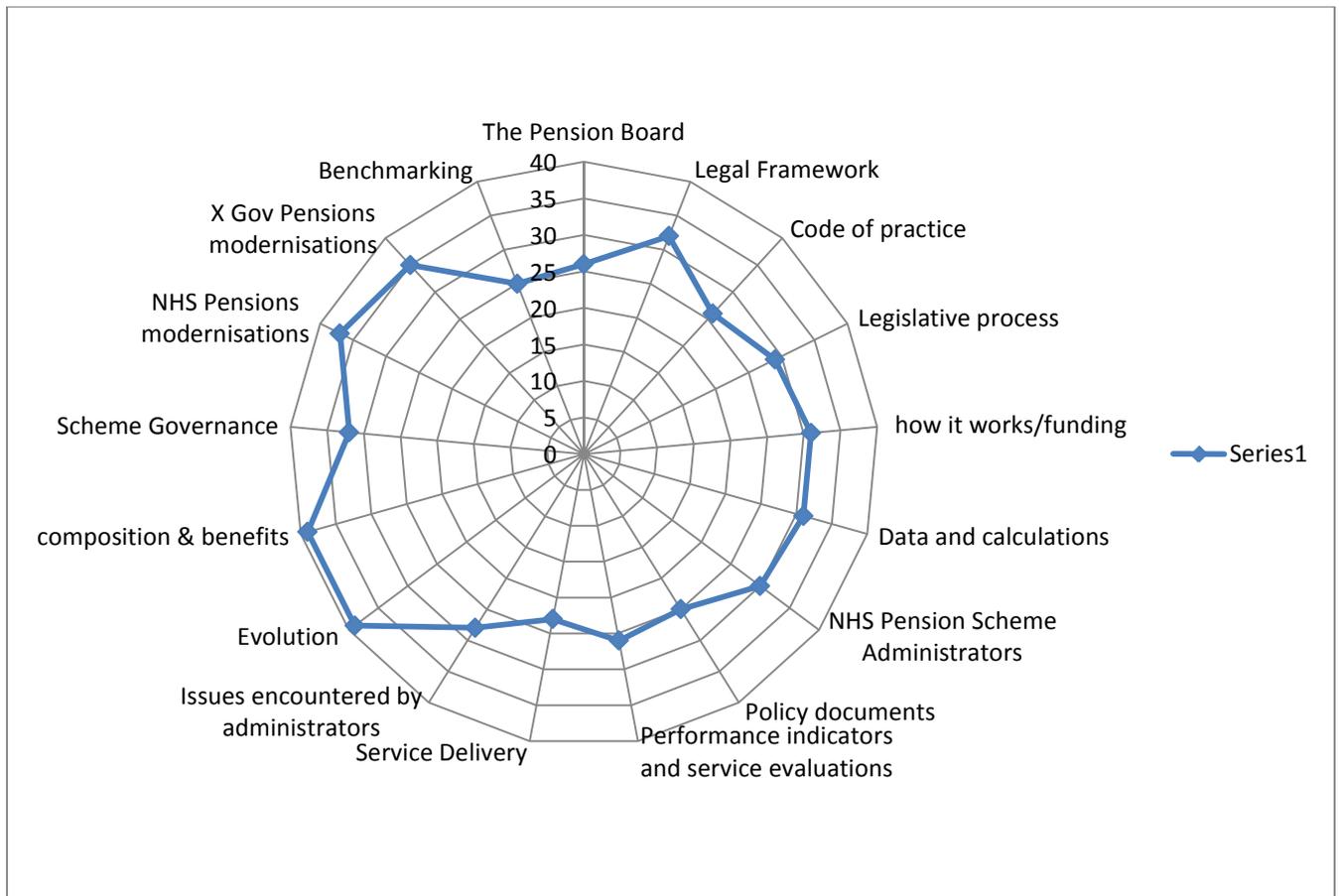
5.3 Other key issues considered in the shadow operating period.

In addition to the original objectives, the Shadow Pension Board has addressed a number of other issues as follows:

- The establishment of a process for identifying and recording potential conflicts of interest for individual board members
- The need for enhanced reporting to the Board around engagement and communication strategy to allow the Board to fulfil its assurance responsibilities in this regard. This has resulted in the NHSBSA establishing an enhanced 'Engagement and Communications Steering Group', which will enable engagement plans and reports against progress to be provided to the Board by the NHSBSA
- Receiving progress reports and assurance from the NHSBSA regarding the state of readiness for the implementation of the 2015 NHS Pension Scheme
- Establishment of an escalation process involving the NHSBSA, Department of Health and Pension Board, in the event that any matters need to be reported to the Pensions Regulator
- The establishment of a website for the NHS Pension Board, to allow publication of information to members about the work of the Pension Board, and clarification of the Board's position with regard to Freedom of Information Requests.
- The development of a Media Policy for the Board, to ensure members are prepared in the event of any approach by the media, and also to allow the Pension Board to consider pro-active media engagement where appropriate.
- The establishment of a process for feedback and review with individual board members.
- A review of the NHSBSA's internal dispute resolution process, to ensure board members are fully conversant with its operation
- Work on the establishment of a Risk Management Framework for the Board, including the identification and prioritisation of key risks. A summary of the key risks identified is attached as Annex C. Further work to develop reporting against this risk framework has been included in the 2015/16 workplan (see Section 8 of this Report).
- The Board has also sought to understand the operation of the Risk Management Framework within the NHSBSA, to understand how this dovetails with its own evolving risk management approach.

7. Training – Progress & Future Plans

As set out above, a key objective for the shadow operating period was to ensure that Board members were equipped with the necessary knowledge to allow them to carry out their roles effectively. The training needs analysis carried out in September 2014 demonstrated that many Board members were confident about the evolution of the NHS Pension Scheme, its composition and benefits and the need for modernisation. They had some knowledge but would welcome a better understanding of the legal framework, the available data and calculations, scheme Governance and cross-Government modernisation of the public sector pension schemes. Finally it indicated that more knowledge was required on the Pension Board and how it might function, on service delivery, on issues encountered by administrators, benchmarking, the Pension Regulator code of practice, Legislative processes, on how the scheme works and on funding arrangements, the administrator's role, performance indicators and service evaluations and the policy context. These findings are shown diagrammatically below.



During the shadow period a training programme was delivered to address these needs and this is outlined at Annex D. In addition the Board were requested to complete the Pensions Regulator’s training modules once they became available – and certificates of successful completion were submitted for their personal training records. Finally a number of Pension Board representatives attended a GAD training session to support them in their Pension Board role. Other members were updated on the outcomes of that training session and as a result a number of actions were agreed.

From May to July 2015, the Chair is conducting a one to one process with Board members to:

- Review the outcomes from the training done during the “shadow” period
- Consider the usefulness of the Pension Regulator training
- Consider future training needs as (a) an individual and (b) a Board
- Discuss the overall effectiveness of the Pension Board

Future training needs will be informed by that process and by a further training needs analysis of all Board members. Key during 2015 will be a session on the new Regulations covering 2015 and transitional and consequential arrangements led by the DH team responsible for writing the regulations based on the agreed business rules.

8. **Recommendations**

The primary responsibility of the Board during the shadow operating period was to ensure that members were fully trained and that a new governance framework was

established. Whilst an MI pack was put in place during this period with 'live' data, to allow Board members to familiarise themselves with key aspects of performance, there was no formal 'assurance' requirement for this period.

Two issues of significance were noted by the Board following the establishment of the reporting pack, as follows:

- One issue of non-payment of contributions by an employer. This issue was identified at the meeting held in March 2015 and has subsequently been reported to the Pensions Regulator.
- One issue resulting in a breach of a KPI relating to telephone service provision. This issue was caused by higher than forecast call volumes being generated by a mailing to deferred pension scheme members. As a result of this issue, the Pension Board has requested an in-depth presentation regarding call centre management practices, and this will be provided at the July 2015 meeting.

Overall, however, the Board did not find evidence of any material breach of Regulatory or Legislative requirements, during the period for which reporting was available.

Whilst the Board has no formal recommendations to put forward to the Scheme Manager at this stage, it has established a number of key objectives and areas of focus for the coming year and these are set out below. In particular, a key priority is felt to be the establishment of a more comprehensive engagement and communication strategy, to ensure that scheme members have a better understanding of the substantial value of their pension scheme benefits.

9. 2015/16 Objectives and Work Plan

The Board has agreed the following objectives for the year 2015/16:

- (i) Ensure that all responsibilities under the Board's Terms of Reference are met, including the provision of the necessary assurance to the Scheme Manager.
- (ii) Consolidate and continue Member training and development, to ensure all members are able to perform their responsibilities effectively
- (iii) Continue to develop the agenda, MI and performance reporting to ensure the Board is able to meet its responsibilities effectively.
- (iv) Establish and embed a Risk Management framework for the Pension Board
- (v) Engage in the process to agree the KPIs set for the NHSBSA for the following year
- (vi) Monitor the impact of the launch of the 2015 scheme on service provided to Members
- (vii) Ensure the establishment of a suitable strategy for Member engagement, communication and understanding
- (viii) Focus on the role of employers in delivering effective outcomes and ensuring areas for improvement are identified
- (ix) Obtain insight into the NHSBSA's Contact Centre operation
- (x) Consider and respond to any findings by the Pensions Regulator
- (xi) Review the performance of the Board, to ensure any areas for improvement are identified and addressed

- (xii) Deliver an annual report summarising the work of the Board, and making any recommendations as appropriate
- (xiii) Continue the development of effective working relations with all key stakeholders
- (xiv) Ensure future legislative and regulatory developments which may impact on NHS Pension Provision are identified and responded to in a timely and effective manner
- (xv) Consider the establishment of a benchmarking approach, to allow the comparison of performance across all Public Sector Pension Schemes

The work required to deliver against these objectives has been built into a new work plan for 2015/16 as set out below:

May 15	Jul 15	Oct 15	Jan 16	April 16
<ul style="list-style-type: none"> • Sign off terms of reference • Review of implementation of 2015 scheme • Review first draft of 'annual report' for shadow period • Comms update including BSA Comms plan for the next 12 months • One to ones – training needs review • Review Escalation Process 	<ul style="list-style-type: none"> • MI & compliance pack review • Final sign off of Annual Report - shadow period • Re-procurement update • Engagement & comms strategy, incl. annual satisfaction results • BSA Call centre 'deep dive' • Formulation of Risk Mgt approach • One to ones – training needs review • Total Rewards Statements – Lessons Learned update 	<ul style="list-style-type: none"> • MI & compliance pack review • Engagement & comms update • Training session 3 – overview of DB schemes • Training plan review • Consider benchmarking options • Review DH KPIs and how they fit with the NHS BSA Contract • Agree Risk Mgt approach • Overview of roles and responsibilities between NHSBSA & Employers • SAB minutes 	<ul style="list-style-type: none"> • MI & compliance pack review incl. consideration of changes to reporting • Engagement & comms strategy for 2016 • Risk framework review • Consider The Pension Regulator's annual report* • Agree outline of Pension Board Annual Report 2015/16 • Horizon scanning – future developments *Subject to Report timing 	<ul style="list-style-type: none"> • MI & compliance pack review • Engagement & comms update • Sign off Pension Board Annual Report for 2015/16 • Sign off work plan for 2016/17 • Pension Board effectiveness review • One to ones – training needs review • Formal Review of Management Information Pack

In addition to the planned agenda, it is anticipated that any 'live' issues emerging from the quarterly performance MI presented to the Board may result in further 'deep dive' analysis being requested on specific issues as they arise.

10. Summary

From a standing start, excellent progress has been made in establishing the Pension Board during the shadow operating period. The Board is now well-placed to assume its formal responsibilities from 1st April 2015, and has established a challenging agenda for the year ahead. A full report will be produced at the end of the first year of operation, which will summarise the work which has been undertaken, and make any recommendations for change as appropriate.

I would like to thank all Members of the Board for their contributions during the shadow operating period, as well as all stakeholders and observers who have played a key role in enabling us to reach this point.

Any queries on the content of this report should be sent in the first instance to pension.board@dh.gsi.gov.uk

Rachel Court

Independent Chair

Terms of Reference for Shadow Period

Introduction

1. The Public Service Pensions Act 2013 requires the establishment of a Pension Board with the responsibility for “assisting the Scheme Manager” in securing compliance with all relevant pensions law, regulations and directions – as well as the relevant Pension Regulator’s codes of practice. This role is one of providing assurance in and governance of the scheme administration.
2. The Pension Board is a new requirement under that Act, which has also specified that there should be equal numbers of member and employer representatives – currently proposed as six each.
3. The Pension Board will cover arrangements across England and Wales.
4. There will be NHS Pension Scheme specific Regulations to deliver the new Governance arrangements from April 2015.
5. In addition to the member and employer representatives, there will be government representatives in attendance at Pension Board meetings, including DH, and Wales. Government representatives are not board members. It is proposed to instruct professional advisors, for example finance experts, GAD advisors and legal advisors on an “as required” basis to provide the breadth of specialist understanding to deliver compliance.
6. The scheme administrator (NHS BSA) will provide the necessary input into the Pension Board to support the Board to deliver on its assurance responsibilities. This may require their attendance at meetings for specified timeslots at the request of the Board, through the secretariat.
7. The DH will provide the secretariat and seek nominations and appoint based on the regulatory provisions. It is proposed that the Pension Board meets on a quarterly basis, as a minimum.

Accountability

8. The Pension Board collectively and members individually are accountable to the Scheme Manager, which is ultimately the Secretary of State as the responsible authority for the NHS Pension Scheme.
9. In addition the Pension Board will continue to provide regular updates to the DH Pension Executive Steering Group (ESG) process as long as it continues. The DH team continues to be responsible for the contractual arrangements, including delivery against the contract and agreed KPIs, for the pension scheme administrator.

Responsibilities of the Pension Board

10. The Pension Board is responsible for assisting the Scheme Manager in:
 - Overall assurance and governance of the NHS PS administration;
 - Assuring effective and efficient administration of the scheme;

- Assuring that decisions made by the scheme administrator are fully legally compliant, including consideration of cases that have been referred to the Pension Regulator and/or the Pension Ombudsman; recommending changes to processes, training and/or guidance where necessary;
- Supporting continuous improvements;
- Assuring the scheme administrator supports employers to communicate the benefits of the NHS Pension Scheme and fully utilise it as part of the NHS total reward offer through effective communication to members;
- Assuring the scheme administrator supports members with a range of tools to improve their understanding of their pension benefits as part of the total reward offer, and to inform their personal financial and career planning;
- Supporting effective implementation of the Employer Charter;
- Enabling data quality improvements to deliver CARE pension outcomes;
- Compliance with the Pension Regulator's codes of practice;
- Fostering good working relationships with the Pension Regulator;
- Consideration of the reports from the Pension Regulator as they are issued, including any responses to recommendations;
- Producing an annual report outlining the work of the Board throughout the scheme year.

Membership

11. The membership of the Pension Board will include:
 - Member representatives nominated by the staff side of the NHS Staff Council to ensure a broad representation of scheme membership; for example to include deferred and pensioner representation. Member representatives will be voting members.
 - Employer representatives that can offer the breadth of employer representation for the NHS PS. Employer representatives will be voting members.
 - The employer and member representatives will remain equal in number at all times
 - An independent Chairperson appointed via the Public Appointments process. The Chair will hold the deciding vote if any vote taken by the member and employer representatives on the Board results in an equal vote.
 - Representatives from the Department of Health, who will not be voting members.
 - Representative from the Welsh Government, who will not be a voting member.
 - Attendance is expected of Board members at all meetings; no alternate representation or substitution is allowed
 -

Decision Making Process

12. The Pension Board is expected to operate on a consensus basis; however each member (except government representatives) will have individual voting rights. In the event that consensus cannot be reached, a vote will be taken. The Chair will not vote at this stage; only if the vote is equal will the Chair have the deciding vote. The scheme manager should be made aware when a decision is reached in this manner.

Quorum

13. Two-thirds of the voting members of the Pension Board will represent a quorum for Board meetings to go ahead. The Chair must be present for the meeting to be quorate.

Conflicts of Interest

14. The Public Service Pensions Act 2013 requires that members of the Pension Board do not have conflicts of interests. As such all members of the Pension Board will be required to declare any interests and any potential conflicts of interest in line with legal requirements in the Public Service Pensions Act 2013 and The Pension Regulator's code. These declarations are required as part of the appointment process, as well as at regular intervals throughout a member's tenure.
15. Annexed to these Terms of Reference is the questionnaire to be completed by Board members to ensure that the scheme manager can be satisfied that Board members do not have any conflicts of interest.

Training requirements

16. Members of the Pension Board will be expected to have a good, sound knowledge and understanding of the scheme rules, the scheme's administration policies and pension law. This will require on-going updates and training as legal requirements change and develop including relevant regulations and directions from HMT and DWP. This is set out further in the Pension Regulator's draft Code of Practice number 14, "governance and administration of public service pension schemes".

Meeting arrangements

17. The Pension Board will meet quarterly in the first year and this arrangement will be reviewed to ensure that it enables delivery of responsibilities. It is proposed that shadow arrangements will be in place from mid-2014 to enable permanent arrangements fully in line with regulations to be in place from April 2015. There would also be the possibility for ad-hoc meetings to be called if required at the Chair's discretion.
18. The DH will undertake the secretariat function for the Pension Board and as such will ensure that:
 - Facilities are available to hold meetings
 - An annual schedule of meetings is organised
 - Suitable arrangements are in place to hold additional meetings if required – ensuring adequate notice
 - Papers will be distributed 7 days before each meeting except for exceptional circumstances
 - Minutes of each meeting will normally be circulated 7 working days following each meeting

Expertise

19. It may be necessary to draw on particular experts or expert groups to support the responsibilities of the Pension Board, such as actuaries and lawyers. This will be done on an 'as required' basis; any expert advisor attending the meeting is not a

Board member and does not have a vote. If required, sub-groups may be established to assist the Board.

20. The Pension Board will work with the Scheme Advisory Board on some key matters such as communication and lines of accountability will be agreed.

Relationship to the Scheme Advisory Board

21. Whilst the function of the Scheme Advisory Board is to provide advice to the Responsible Authority (i.e. Secretary of State) about the desirability of scheme changes – there may well be a need for some sharing of information or discussion between the boards. This will be explored further during the Shadow period, and clarified further in amended ToR.

Remuneration

22. Remuneration for board members will be limited to a refund of actual expenses incurred in attending Board meetings, in accordance with the Department of Health's expenses policy. The Chair's remuneration will be agreed on appointment.

Tenure

23. Tenure period for board members will usually run for a three to five year period on a rolling appointment basis – assuming a maximum of nine years in any continuous period of 12 years. Tenure will be decided by the scheme manager during the appointment process; board members will have different tenures to ensure continuation of membership in equal numbers for the employer and staff-side members. The Chair's tenure will be agreed on appointment, but will also be between three and five years..
24. Resignation of board members will be documented in writing to the Pension Board Chair. A suitable notice period must be given, with 1 month being a minimum, to enable a replacement member to be found.
25. The performance of board members will be assessed on a periodic basis to ensure that all members are adequately meeting their duties. Poor performance will result in corrective action being taken, and in exceptional circumstances the removal of the Board member.

Review

26. These terms of reference will be reviewed after the board has operated in shadow form during 2014, and periodically thereafter.

Annex B

KEY PERFORMANCE INDICATOR MEASURES	
NHS PENSIONS - KEY PERFORMANCE INDICATORS – TARGETS FOR 2014-15	
T8 Cases	
AREA	KPI Target
Awards	99.50% by 1 calendar month from the due date
Substitute Awards	98.00% by 1 calendar month from the due date
Death – Death Gratuity	99.00% by 1 calendar month from the due date
Death – Widow(ers) Pension	97.00% by 1 calendar month from the due date
Death – Child Allowance	98.50% by 1 calendar month from the due date
Refunds	99.95% by 1 calendar month following due date
Statutory Cases	
AREA	CURRENT KPI
Estimate (Practitioner)	97.50% within 40 working days
Estimate (Officer)	95.00% within 40 working days
Pensions on Divorce CETV	95.00% within 3 calendar months
Transfer In - Estimate	98.00% within 2 calendar months
Transfer Out - Estimate	95.00% within 3 calendar months
Transfer Out - Payment	99.70% within 6 calendar months
5-Yr Rejoinder - CETV	99.00% within 3 calendar months
Data Integrity	
AREA	CURRENT KPI
Used 4 milestone for tracking achievement:	Data Integrity (ensuring member records are updated to March 2015 by 94% or greater - using 4 milestones for tracking achievement)
31 Jul 14 = 80%	
30 Sep 14 = 90%	
31 Dec 14 = 92%	
31 Mar 15 = 94%	
Call Centre (Newcastle)	
AREA	CURRENT KPI
Employer Line (Newcastle)	Calls Answered - 70% of calls within 20 seconds
Employer Line (Newcastle)	Calls Abandoned - Abandon call rate does not exceed 5%
Member Line (Newcastle)	Calls Answered - 70% of calls within 20 seconds
Member Line (Newcastle)	Calls Abandoned - Abandon call rate does not exceed 5%
Call Referral clearance (NHSP)	SLA – 98.00% in 48 hours

Accuracy	
AREA	CURRENT KPI
Payments & Case Administration (pre-release errors)	98.50% (cumulative)
Finance - Statutory	
AREA	CURRENT KPI
Main employers 98% - pay pension contributions by 19th of each month following the prior month payroll	Pension Contributions
Direction Body employers 95% - pay pension contributions by 19th of each month following the prior month payroll	
GP Practice employers 95% - pay pension contributions by 19th of each month following the prior month payroll	
GP and Dental Staff 98% - pay pension contributions by 19th of each month following the prior month payroll	
Clinical Commissioning Groups (CCGs) and Clinical Support Groups (CSGs) 98% - pay pension contributions by 19th of each month following the prior month payroll	
New Fair Deal 95% - pay pension contributions by 19th of each month following the prior month payroll	
Independent Providers 95% - pay pension contributions by 19th of each month following the prior month payroll	
Performance of Equiniti Paymaster for Pensioner Payment	
AREA	CURRENT KPI
Payment of all pensioners	After initial payment made - 100%
BACS automatic notifications paid within 7 working days - 100%	New Officers where award is due for payment
Payment issued for printing in Voucher cases in 3 working days - 100%	
BACS manual notifications paid within 7 working days - 85%	
BACS manual notifications paid within 10 working days (second target) - 100%	
Payment issued for printing in Voucher cases in 3 working days - 85%	
Payment issued for printing in Voucher cases in 6 working days (second target) - 100%	
Accuracy	All pension payments - 99.9%

NHS Pension Board – Key Risks Identified

Communications - Incorrect/misleading info given to members

Communications - Poor member understanding of benefits

Data -Data loss/breach of confidentiality

Data - Incorrect or missing data

Incorrect benefits paid

Contributions incorrect/not paid

Failure to adhere to Regulation/Legislation

Service -_High complaint levels/poor complaint handling

Service - Poor service to members

Service - IT failure

Service – Impact of reprocurement project

Governance -_Conflicts of interest

Governance - Inappropriate/inaccurate MI

Governance – Inadequate knowledge & expertise of Board members

PENSION BOARD TRAINING PLAN

Purpose of the Training Plan

The purpose of this training plan is to determine the training packages that are available, or will be developed, to train the Pension Board Chair and members, to ensure that they are adequately equipped to fulfil their roles.

Not all Pension Board members will need to complete all training, as an individual Training Needs Analysis will be completed to determine the knowledge gap that needs to be addressed for each member and the requirement to undertake training course will be based upon that.

Summary of Training Modules

Training Module	Purpose	What is included	Length of Training	Who would develop	Who would deliver	Mode of deliver
Pensions Legislation	To provide an overview of the Pensions legislation, regulations and codes of practice that the NHS Pension Scheme is required to conform to	<ul style="list-style-type: none"> • Legal framework <ul style="list-style-type: none"> - Scheme Regulations - Dispute resolution - Pensions related legislation - The tax privileges and requirements for occupational pension schemes - The interface between occupational schemes and state pensions provision - Automatic enrolment • The Pension Regulator Code of Practice • Overview of the legislative process <ul style="list-style-type: none"> - Developing Regulations 	2 hrs	DH Pensions Team Source material from TPR Trustee toolkit where possible	Julie Badon GAD/DWP	Presentations

Training Module	Purpose	What is included	Length of Training	Who would develop	Who would deliver	Mode of deliver
		<ul style="list-style-type: none"> - Laying regulations - Consultation processes 				
Overview of a Defined Benefit Scheme	To provide a high level summary of how the funding and operation of a Direct Benefit scheme works	<ul style="list-style-type: none"> • How a Defined Benefits Scheme works • Funding Defined Benefit Schemes: <ul style="list-style-type: none"> - Valuation (SCAPE methodology) - Making assumptions - Member matters - Statutory funding objective - Measuring the liabilities - Calculating the liabilities - Additional funding - Member contributions • The importance of complete, accurate and up-to-date data and calculations 	2 hrs	<p>DH Pensions Team</p> <p>Or</p> <p>Actuary (KPMG/GAD)</p> <p>Source material from TPR Trustee toolkit (4a, 4b, 4d) & (4f)</p>	DH: Julie Badon Actuary (GAD)	Classroom
Role of the Pensions Board	To provide an overview of the role and function of the Pension Board	<ul style="list-style-type: none"> • Function of the Pension Board <ul style="list-style-type: none"> - Roles and responsibilities - Expectations of the Scheme Manager - How it fits in with other governance groups (e.g. SAB) - Overview of the Boards work-plan - Transition arrangement from old governance structure • Conflict of interest • Reporting breaches of the law 	30mins to 1hr	<p>DH Pensions Team</p> <p>Likelihood that the TPR training toolkit will not be available before we intend to delivery this module, therefore this module would</p>	DH: Julie Badon	Classroom

Training Module	Purpose	What is included	Length of Training	Who would develop	Who would deliver	Mode of deliver
				need to be developed in house.		
The NHS Pension Scheme	To provide an overview of the NHS Pension Scheme	<ul style="list-style-type: none"> • Evolution of the NHS Pension Scheme <ul style="list-style-type: none"> - 1995 Scheme summary - 2008 Scheme summary & changes - 2015 Scheme summary & changes - Evolution of the NHS Pension Scheme • Composition & benefits of the scheme <ul style="list-style-type: none"> - Membership - Benefits (e.g. ill health, dependants etc.) • Scheme Governance <ul style="list-style-type: none"> - Scheme Governance to date <ul style="list-style-type: none"> - New scheme governance (NHS PB & SAB) <ul style="list-style-type: none"> ○ Why are the governance structure changing ○ Roles & responsibilities of the Boards, Scheme Manager, DH and TPR • NHS Specific Pensions modernisation 	2 hrs (at least) could split scheme regs into sections & deliver separately?	DH Pensions Team:	DH: Julie Badon and NHS BSA	Classroom

Training Module	Purpose	What is included	Length of Training	Who would develop	Who would deliver	Mode of deliver
		<ul style="list-style-type: none"> ○ 2015 Scheme regulations ○ Choice 2/Option to forgo protection ○ Total Rewards Statements ○ Working longer review ○ Access ● Cross government Pensions modernisation <ul style="list-style-type: none"> ○ Same sex marriage ○ Annual and lifetime allowance changes ○ Auto enrolment ○ Single Tier Pensions 				
Scheme Administration	To provide an overview of governance, operations and monitoring of the NHS Pension Scheme Administrators	<ul style="list-style-type: none"> ● Overview of the NHS Pension Scheme Administrators (BSA) <ul style="list-style-type: none"> - Organisational structure - Governance structure - Services offered - Data collection and storage - Support provided to members <ul style="list-style-type: none"> ○ Tools ○ Engagement & communications ● Performance Indicators & service evaluation 	2 hrs	NHS BSA	NHS BSA	Classroom

Training Module	Purpose	What is included	Length of Training	Who would develop	Who would deliver	Mode of deliver
		<ul style="list-style-type: none"> - KPIs - Annual benchmarking exercise - Annual customer satisfaction exercise - Annual staff survey • Service delivery planning (how is it done) • Service delivery risks • Issues encounter by administrators <ul style="list-style-type: none"> - Fraud cases - Injury Benefit claims - Disputes • Future of the Pension Administrator role <ul style="list-style-type: none"> - Overview of Re-let project 				
Benchmarking		<ul style="list-style-type: none"> • Examples of good practice for pension administration in: <ul style="list-style-type: none"> - Public sector - Private sector 		DH/BSA	e-learning	e- learning