

NHS Pension Board Annual Report covering the period April 2015 to March 2016

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Introduction

This is the first annual report by the NHS Pension Board which was established, as required under the Public Service Pensions Act 2013. From 1 April 2015, the NHS Pension Board has had 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 (NHSPS) for England and Wales, as well as with the Pension Regulator’s *Code of Practice no.14 Governance and administration of public service pension schemes*.

Executive Summary

The NHS Pension Board met 4 times during 2015/16. Its main priorities during the year have been:

- developing its capability to ensure the new 2015 and older 1995 and 2008 NHS Pension Schemes are rigorously governed;
- ensuring compliance with relevant legislation and regulations in pursuit of its statutory obligations and;
- working with the NHS Business Services Authority (NHSBSA) who administer the NHSPS on behalf of the Department of Health (DH) to improve scheme administration.

The implementation of the 2015 NHSPS presented some challenges to the efficiency of its administration in the early months, resulting in a number of Key Performance Indicator (KPI) breaches and an increase in complaint volumes relating primarily to delays in response. However, the NHS Pension Board acknowledges that the NHSBSA has worked diligently in addressing these challenges, and at the time of writing, service levels have improved. A post-implementation review has identified a number of lessons learned from this project, which will be considered in any future pension scheme implementations.

The Board has recognised the importance of its role in ensuring good NHSPS member communication and the need to help NHSPS members better understand their valuable pension benefits. To enhance activity in this area, the Board has established an Engagement and Communications Steering Group administered by NHSBSA and including NHS Pension Board members to oversee improved communications with employers and NHSPS members.

The Board has also developed a constructive working relationship with the Pensions Regulator (TPR) to ensure full compliance with TPR codes of practice. A small number of potential breaches of law have been identified during the course of the year, and these have been reported to TPR.

Overall the Board’s activities in its first year have set it up well to continue improving NHSPS governance, administration and communications with, in its second year, an increased focus on enhancing NHSPS member experience and increasing efficiency and effectiveness, as well as seeking assurance that there will be no adverse impacts on service delivery from the forthcoming procurement of the pension administration contract.

Background – NHS Pension Scheme

The NHSPS provides pensions to NHS employees and eligible staff of third parties providing healthcare services. It has two sections (1995 and 2008) and provides defined benefits based

on final salary for most members, with the exception of practitioners¹ whose benefits are calculated on a career average basis.

A new scheme (NHSPS 2015) was introduced from 1 April 2015. This scheme provides benefits on a career average basis for all members.

In both schemes member contribution rates are tiered based on members' pay. Both schemes are unfunded occupational schemes backed by the Exchequer.

There are some 1.4 million contributing members across the schemes with pensionable pay of over £40 billion per annum. Pensions are paid to around 0.8 million pensioners amounting to around £7 billion per annum. A further 0.6 million members no longer contributing to the schemes retain entitlement to receive a pension at retirement. Both members and employers contribute to the schemes. Members contribute between 5% and 14.5% of their pensionable pay, depending on their earnings and 9,455 employers pay 14.3% of their pensionable payroll. Total contributions to the schemes are around £10 billion pa, with benefit payments of around £9 billion pa. The total liabilities of the scheme shown in the accounts at 31 March 2015 were £390.6 billion.

NHS Pension Board – Membership & Quorum

Members of the NHS Pension Board are shown in Annex A.

Two-thirds of the voting members of the NHS Pension Board will represent a quorum for Board meetings to go ahead. The Chair must be present for meetings to be quorate. All meetings during 2015/16 have been quorate.

Pension Board Terms of Reference

Terms of Reference for the NHS Pension Board can be found at Annex B. They are reviewed annually.

2015/16 Objectives and Work Plan

The NHS Pension Board 2015/16 workplan, which has been completed, is at Annex C.

The objectives for 2015/16 and how these have been achieved are as follows:

- (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.**
The NHS Pension Board has decided that the NHSPS has been administered in compliance with legislative and regulatory requirements throughout the year, with a very small number of exceptions.

The table in Annex D shows how the Scheme complies with the key aspects of TPR's *Code of Practice No. 14*.

An escalation process for NHSBSA and NHS Pension Board members has been put in place for managing potential breaches of law that require escalation to the NHS Pension Board or TPR.

The NHS Pension Board supported NHSBSA in reporting to TPR:

¹ Practitioners include GPs and dentists

- 2 breaches of law which involved late/non-payment of employer and employee contributions. TPR is still considering the appropriate action to take in both of these cases;
- the failure of its “Transfer Out KPIs”, which occurred as a result of changes to Her Majesty’s Revenue and Customs (HMRC) requirements in April 2015. TPR confirmed that the NHSBSA had taken all possible action to safeguard members’ interests in these cases and did not take any further action.

The NHS Pension Board also reported to TPR what it considered to be a breach of auto-enrolment legislation by Oxleas NHS Foundation Trust as the Board concluded the Trust may have been offering an inducement to leave the NHSPS. TPR’s decision is awaited.

(ii) Consolidate and continue NHS Pension Board Member training and development, to ensure all members are able to perform their responsibilities effectively

The NHS Pension Board has established a training policy to ensure that new Board members receive appropriate induction and that the ongoing individual training needs of existing members are identified through formal training needs analysis and individual annual one to ones with the Chair. The NHS Pension Board’s Secretariat ensure that the training policy is maintained and updated as required, and that it is effectively applied in practice.

Based on the outputs from the training needs analysis, a training plan was collated by the Secretariat and the Chair. As items on the training plan have been completed, these have been added to individual training logs. Where individual NHS Pension Board members complete relevant training independently of sessions arranged by the NHS Pension Board, they notify the Secretariat, to allow this to be added to their training logs.

A full log of training delivered during 2015/16 is set out in Annex E.

(iii) Continue to develop the agenda, Management Information and performance reporting to ensure the Board is able to meet its responsibilities effectively.

A performance management reporting pack was devised by the NHS Pension Board in conjunction with the NHSBSA, to give the NHS Pension Board members appropriate KPI data in respect of member engagement, complaint handling, regulatory compliance, NHSPS data quality and key aspects of administration and service. This is the main mechanism by which NHS Pension Board members are able to challenge the NHSBSA, and seek insight into performance issues, as well as identifying areas for improvement.

The pack has been well utilised to identify key themes and trends, and based on experience in the first year of operation, enhancements to the pack for 2016/17 have been approved and implemented.

(iv) Establish and embed a Risk Management framework for the NHS Pension Board

NHS Pension Board members engaged in a risk identification exercise, with the top risks being entered on a risk register and a quarterly “heatmap” being produced to track the likelihood and impact of these risks, helping prompt discussion on what further mitigation is appropriate. The risks identified for 2015/16, and the end of year “heatmap” are at Annex F.

A Risk Management Policy has been produced, and the risk identification process will be refreshed annually, to ensure new risks are identified and tracked as appropriate.

(v) Engage in the process to agree NHS BSA KPIs

KPIs for 2015/16 are in Annex G. The NHS Pension Board will engage in their further development in the coming year.

(vi) Monitor the impact of the launch of the 2015 NHSPS on service provided to NHSPS Members

The NHS Pension Board noted that although NHSPS 2015 was launched on time, it initially resulted in a 30-40% increase in manual work for NHSBSA. This was because NHSPS member requests for 2015 scheme benefits (estimates and awards) were not expected until April 2016 and therefore automated calculations for these were not planned for delivery until that date.

NHSBSA reported to the NHS Pension Board that:

- there had been an unanticipated number of 2015 NHSPS awards and the lack of 2015 functionality impacted on NHS BSA's ability to automatically calculate estimates of benefits for NHSPS members with membership of more than one section/scheme. Development of NHSPS 2015 functionality was brought forward and this had a positive impact on some of the manual work volumes;
- the increase in manual casework caused KPI failures on Award & Estimate work and the Option to Give Up Protection exercise (to allow protected members of the 2008 section to benefit from NHSPS 2015 membership if this was advantageous to them) also resulted in additional manual work and delays in payment of awards as NHSBSA had to confirm members' decisions before payment could be made;
- because they gave highest priority to bringing awards for new pensioners back into target service levels, there were KPI failures in other aspects of their service although these were low in volume compared to the amount of work processed each month.

Throughout the year, the NHS Pension Board challenged NHSBSA to demonstrate that appropriate recovery plans were in place, and by the end of the year, the service position had stabilised in a number of KPI areas including Contact Centre call responses, Pensions on Divorce, Transfers In, Refunds and Transfers Out. First Awards, Substitute Awards and Estimates are still in recovery and are expected to achieve their KPI in quarter 2 of 2016/17.

These service issues resulted in a 48% increase in complaint volumes compared to the previous year, although the overall number of complaints received remains small at 0.49% of transactions processed. The main themes of the complaints were delays in:

- payment of awards,
- provision of estimates and
- handling of transfer requests, the latter being caused by changes to HMRC requirements from April 2015.

However, by the end of the year, following the recovery of service levels, complaint volumes had returned to previous levels.

A small number of complaints were escalated to the Pensions Ombudsman. Details of these are in Annex H.

(vii) Ensure the establishment of a suitable strategy for NHSPS Member engagement, communication and understanding

The NHS Pension Board has developed and overseen implementation of a strategy to improve NHSPS members engagement, communication and understanding through the following initiatives:

- the formation of an Engagement and Communications Steering Group (ECSG) administered by the NHSBSA. The ECSG has developed an overarching Engagement and Communication strategy and will report on the overall delivery of that strategy to the NHS Pension Board. Some of the key objectives for ECSG are:
 - to oversee the development of communications to ensure they effectively meet the various audiences' information needs;
 - to ensure information is explained in the simplest terms using plain English;
 - to ensure communications are cost effective and represent value for money.
- the roll out of the 2nd year of Total Reward Statements (TRS). TRS have been introduced to provide NHS staff with a better understanding of the benefits they have or may have access to as a NHS employee. TRS provides personalised information about the value of staff employment packages and include details of remuneration and benefits provided locally by employers. For members of the NHSPS, their TRS may also include an annual pension benefit statement. 2,197,616 TRS were available from August 2015 covering 93% of NHSPS members, up from 79% in 2014. 275,370 employees have accessed their TRS – about 12.5%.
- providing NHSPS members with online calculators:
 - to help them to work out which scheme they are in;
 - to enable them to estimate their own pension benefits;
 - to demonstrate the effect on take home pay of opting out of the scheme and how they are warned of the long term consequences of doing so;
 - to enable employers to speed up the process to give relevant figures to members making redundancy decisions should they face such situations
- providing videos to support NHSPS members in understanding the NHSPS to complement the NHSPS guidance available on the NHSBSA website.

(viii) Focus on the role of employers in delivering effective outcomes and ensuring areas for improvement are identified

The NHS Pension Board welcomed NHSBSA's establishment of their 'Stakeholder Engagement Team' which has been in place since February 2016. The remit of the team is to engage, escalate and educate employers.

Their initial activities are to establish relationships with their employer groups including Trusts, organisations with directions and determinations, Independent Providers, GP Practices and Local Authorities, to better understand their educational needs. They can then tailor training and support for the diverse group of employers whose staff have access to the NHSPS.

NHSBSA run a National Employer Group whose activities are expected to increase as the Stakeholder Engagement Team becomes more established.

(ix) Obtain insight into the NHSBSA's Contact Centre operation

In July 2015, the NHS Pension Board held its meeting in Newcastle, to visit and gain a fuller insight into contact centre operations. Much of the focus on service improvement has concentrated on the contact centre, being initially responsible for resolving NHSPS member queries. Quality remains a high priority for the contact centre and an escalation process for busy periods has resulted in a reduction in the number of complaints

(x) Consider and respond to any findings by TPR

TPR published the results of its first *Public service governance and administration survey* in December 2015, and attended the NHS Pension Board's January 2016 meeting to present their findings in more detail as summarised below.

Key finding	NHSPS Position																		
Concerns over accuracy and completeness of record keeping	<p>Data cleansing and migration activity undertaken for NHSPS 2015 implementation, and the introduction of a new software platform (Compendia), was successful. 179 million rows of data migrated to Compendia and only 91 failed to load, these were all resolved and migrated on 7 April 2015. Currently the accuracy of NHS BSA data for the different NHSPS members categories is</p> <table border="1"><tr><td>Active</td><td>99%</td></tr><tr><td>Deferred</td><td>63%</td></tr><tr><td>Pensioner</td><td>74%</td></tr></table> <p>Deferred members are a challenge as, for example, some don't advise NHSBSA of their new addresses, if they move. There is an action plan to improve data sharing across this and other NHS BSA operational areas. A further data cleansing exercise will be conducted in 2016/17 as part of the ongoing preparations for the reprocurement of the NHSPS administration contract.</p>	Active	99%	Deferred	63%	Pensioner	74%												
Active	99%																		
Deferred	63%																		
Pensioner	74%																		
Concerns over the thoroughness and rigour of internal controls – especially over outsourced administrators	<p>The NHS Pension Board monitors compliance with KPI and quality targets and holds the NHSBSA to account in respect of any breaches. The NHSBSA has a comprehensive suite of internal controls, and a new compliance function has been established to conduct 'second line' checks to ensure that internal controls are operating effectively. This has identified a number of areas where internal controls can be improved, and these were reported to the NHS Pension Board, as follows:</p> <table border="1"><tr><td>Ill Health Retirements</td><td>July 2015</td></tr><tr><td>New Joiner Process</td><td>August 2015</td></tr><tr><td>Refunds</td><td>October 2015</td></tr><tr><td>Bereavements</td><td>October 2015</td></tr><tr><td>Transfers In</td><td>January 2016</td></tr><tr><td>Estimates</td><td>February 2016</td></tr><tr><td>Transfers Out</td><td>March 2016</td></tr><tr><td>Pensions on Divorce</td><td>March 2016</td></tr><tr><td>Awards</td><td>Ongoing</td></tr></table> <p>Various recommendations have come from the compliance reports which have been turned into an Action Plan which the NHS BSA are working through to ensure changes are made. Examples of recommendations are:</p> <ul style="list-style-type: none">• to complete the production of Technical Guides on all processes,	Ill Health Retirements	July 2015	New Joiner Process	August 2015	Refunds	October 2015	Bereavements	October 2015	Transfers In	January 2016	Estimates	February 2016	Transfers Out	March 2016	Pensions on Divorce	March 2016	Awards	Ongoing
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Awards	Ongoing																		

	<ul style="list-style-type: none"> • to make improvements to the Pensions Website and • to ensure that all pro-formas and check sheets are completed by staff and scanned to NHSPS members' records. <p>There have been 2 'Unsatisfactory' Compliance reports, which related to NHSBSA's bereavement process and pensions on divorce administration.</p> <p>The bereavement review highlighted a lack of process around paying interest due on late payments for death in service lump sums. This has not been an issue prior to the NHSPS 2015 implementation as NHSBSA had not experienced backlogs in the bereavement process previously.</p> <p>The pensions on divorce review highlighted some administrative inconsistencies and a lack of system support for record keeping. Both areas affected a small number of cases but the introduction of the new Compliance Team has meant that NHSBSA has been able to identify and remedy deficiencies in processes and systems.</p> <p>Some aspects of these 'Unsatisfactory' compliance reports identified regulatory breaches. The NHS Pension Board discussed whether to report these breaches to TPR but decided that as the number of cases was small, they were not material breaches as defined by TPR. The NHS Pension Board was satisfied with the remedial action which the NHSBSA had put in place.</p> <p>In addition to the compliance work, the NHSBSA's internal audit program provides 'third line' oversight, and its findings are also reported to the NHS Pension Board</p>
<p>Poor Communications, including concerns over Annual Benefit Statements and compliance with disclosure regulations.</p>	<p>Item (vii) on page 6 sets out the approach which the NHSBSA is taking to improving communications including the wider distribution of TRS/ABS for those eligible to receive them</p> <p>In addition to the provision of TRS/ABS the NHS Pension Board is satisfied that NHSBSA is aware of what their requirements are arising from the Department of Work and Pensions disclosure regulations.</p>

(xi) Review the performance of the NHS Pension Board, to ensure any areas for improvement are identified and addressed

A formal self-evaluation process has been designed, and this process is currently underway. The results of the evaluation of the first year of operation will be considered at the July 2016 NHS Pension Board meeting, with any improvements identified being implemented as appropriate. This review process will be repeated annually.

(xii) Deliver an annual report summarising the work of the NHS Pension Board, and making any recommendations as appropriate

This report represents a summary of the work of the Board in 2015/16.

(xiii) Continue the development of effective working relations with all key stakeholders

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

- TPR – The NHS Pension Board Chair has participated in the Advisory Group for Public Service Pension Schemes which was established by TPR in December 2015, and which meets quarterly. Two meetings have taken place to date, which have focussed primarily on the findings from TPR's Governance survey.
- Other Scheme Chairs – An informal group of Chairs of the Pension Boards of the main centrally administered schemes (NHS, Teachers, Armed Forces and Civil Service) has met, with a view to sharing best practice and facilitating benchmarking and service improvement in future.
- NHS Pension Scheme Advisory Board (SAB) – a number of meetings took place during the year between the NHS Pension Board Chair and the SAB Co-Chairs to ensure that there was a good understanding of each Board's development and priorities.

(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

A monthly horizon scanning process has been implemented, to ensure new developments are brought to the attention of the NHS Pension Board. This is also a formal agenda item for the NHS Pension Board meeting each January. For example, during 2015/16, NHS Pension Board discussions have included:

- communications around the change to the state pension from April 2016
- impact of increased pensions taxation around annual and lifetime allowances etc. on the NHSPS and members

(xv) Consider the establishment of a benchmarking approach, to allow the comparison of performance across all Public Service Pension Schemes

The NHS Pension Board is overseeing work to undertake a benchmarking exercise across the centrally administered public service pensions schemes, with a view to identifying areas for improvement in 2016/17.

2016/17 Objectives and Work Plan

The NHS Pension Board has agreed the following objectives for 2016/17:

1. Ensure that all responsibilities under the Board's Terms of Reference are met, including legislative and regulatory compliance, efficient and effective service delivery and the provision of the necessary assurance to the Scheme Manager.
2. Continue the development of the Risk Management framework, and ensure that key risks are effectively identified and managed.
3. Ensure delivery of the Engagement and Communication Strategy.
4. Consolidate and continue Board member training and development, to ensure all members are able to perform their responsibilities effectively.
5. Engage in the process to agree KPIs for NHSBSA.
6. Continue to focus on the role of employers in delivering effective outcomes for their staff who are NHSPS members and ensuring areas for improvement are identified.
7. Consider and respond to any findings made by TPR.

8. Develop a program to continue activities driving service improvement in respect of NHSPS administration.
9. Review the performance of the NHS Pension Board, to ensure any areas for improvement are identified and addressed.
10. Deliver an annual report summarising the work of the Board, making recommendations as appropriate.
11. Continue the development of effective working relations with all key stakeholders.
12. Ensure future legislative and regulatory developments which may impact on NHS Pension provision are identified and responded to in a timely and effective manner.
13. Consider any impact from the ongoing reprocurement exercise on NHSPS administration.
14. Establish 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 2016/17 as set out below:

April 16	Jul 16	Oct 16	Jan 17	April 17
<ul style="list-style-type: none"> • MI & compliance pack review • Full Review of PB policies • Review of PB and admin Risks • Approve Risk Management Policy • Review of draft Annual Report for 2015/16 • Comms update including BSA Comms plan for the next 12 months • One to ones – training needs review • Review Escalation Process & Media Policy • Training – Governance and Valuation 	<ul style="list-style-type: none"> • MI & compliance pack review • Review Key risks • Final sign off of Annual Report • Re-procurement update • Review of Engagement & comms strategy based on annual satisfaction results • Review of new 12 month comms plan • One to ones – training needs review • Total Rewards Statements – Lessons Learned from 2nd year • Review Terms of Reference • Review and agree continuous improvement initiatives 	<ul style="list-style-type: none"> • MI & compliance pack review • Review key risks • Engagement & comms update • Training plan review • Discuss benchmarking approach • Review Risk Mgt approach • Update from Stakeholder Engagement team on employer engagement • Training – Digital delivery 	<ul style="list-style-type: none"> • MI & compliance pack review • Review key risks • Engagement & comms strategy for 2017 • Consider outcomes from TPR survey • Agree outline of Pension Board Annual Report 2016/17 • Horizon scanning – future developments • Consider changes to MI pack for 17/18 • Review impact of move to employer payment of pensions admin costs 	<ul style="list-style-type: none"> • MI & compliance pack review • Review key risks • Engagement & comms update • Review Pension Board Annual Report for 2016/17 • Sign off work plan for 2017/18 • Pension Board effectiveness review • One to ones – training needs review • Formal Review of MI Pack

April 16	Jul 16	Oct 16	Jan 17	April 17
	<ul style="list-style-type: none"> • Training – GMP overview • Agree 17/18 meeting dates • Review PB member appointments 			

In addition to the planned agenda, it is anticipated that any 'live' issues emerging from the quarterly performance management information presented to the NHS Pension Board may result in additional work on specific issues as they arise.

Recommendations

1. Seeking feedback

The service is provided for the benefit of employers and members. There should be greater focus on developing further routes for feedback on the service quality (as measured by user experience) and in turn make sure this information is used to maximum effect in driving specific improvements or changes. In 2016/17, the NHS Pension Board will work with NHSBSA to review the ways in which feedback is sought and how the Board might use it to evaluate and shape service provision and inform future investment priorities.

2. Pension Regulator reporting – communication of outcomes

The NHS Pension Board has made a small number of referrals to TPR regarding what it considered to be breaches of pensions law during the course of the year. Whilst referrals are acknowledged, there is currently no process for formally feeding back on the outcome of referrals to reporters, or publishing outcomes more widely. The guidance from TPR states:

'The Regulator will acknowledge all reports within five working days of receipt, however it will not generally keep a reporter informed of the steps taken in response to a report of a breach as there are restrictions on the information it can disclose'.

The NHS Pension Board appreciates that there may be issues of confidentiality to be considered. However, since the purpose of the creation of new governance processes around Public Sector Pension Schemes was to create greater openness and transparency, it recommends that consideration is given to providing more formal feedback to those making reports as to the actions taken and outcomes achieved.

3. Legislative impacts on Public Sector Pension Schemes – Cross-Government Working

A number of recent pieces of legislation impacting on pensions have had material impacts on all Public Sector Pension Schemes, including the NHSPS. These have included the introduction of the new State Pension and the resulting cessation of contracting out, as well as the changes to the taxation of pensions through reductions to annual and lifetime allowances. These changes have resulted in significant increases to NHSBSA administrative and communications workload as a result of more retirements amongst higher earners, more requests for estimates etc. This has led to deterioration in some KPIs due to insufficient appropriately qualified resources being available to cope with the rise in demand.

The NHS Pension Board recommends that where changes to pensions legislation are implemented in future, there should be closer Cross Government working, at an early stage to minimise the impact on Scheme members.

Conclusion

The first formal year of operation has successfully established the NHS Pension Board as an effective forum to oversee the administration of the NHSPS and to provide robust challenge and effective governance. Going forwards, having overcome the initial challenges presented by the implementation of NHSPS 2015, the NHS Pension Board aims to focus its attention on continuous improvement in service provision and NHSPS member experience, as well as continuing to ensure effective compliance with all relevant legislation and regulations.

I would like to thank all Members of the NHS Pension Board for their contributions during its first year, 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

Chair

Annex A - NHS Pension Board – Membership

Chair: Rachel Court

Member Representatives:

Name	Organisation
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
Barrie Brown	Unite

Employer Representatives:

Name	Organisation
Andrea Hester	NHS Employers – Assistant Director, Pensions and Reward
Wayne Evans	NHS Wales Shared Services Partnership – Deputy Payroll & Pensions Manager
Bryan Logan	Torbay and South Devon NHS Foundation Trust – Payroll Manager
Christine Boon	Care UK – Group Pensions Manager
Penny Brodie	Royal Berkshire NHS Foundation Trust – Employee Benefits/Pensions Team Manager
Louise Tibbert (appointed to replace Ian Brandwood who resigned effective from 31/10/15)	Director of Workforce and Organisational Development – University Hospitals of Leicester NHS Trust

NHS Pension Board meetings – Members attendance 2015-16

May 2015 – 83%

July 2015 – 83%

October 2015 – 75%

January 2016 – 75%

Annex B - NHS Pension Board – Terms of Reference

Introduction

The Public Service Pensions Act 2013 requires the establishment of a NHS Pension Board with responsibility for “assisting the Scheme Manager” in securing compliance with all relevant pensions law, regulations and directions – as well as TPR’s codes of practice. This role is one of providing assurance over and governance of NHSPS administration.

The NHS Pension Board is a new requirement under that Act, which has also specified that there should be equal numbers of NHSPS member and employer representatives – currently six each.

The NHS Pension Board covers England and Wales.

Regulation 4 of the National Health Service Pension Scheme Regulations 2015 (UK Statutory Instrument 94 of 2015), effective from 1 April 2015, establishes the NHS Pension Board in law. Schedule 1 of those Regulations adds further detailed regulatory provisions relating to the NHS Pension Board.

In addition to the member and employer representatives, there will be government representatives in attendance at NHS Pension Board meetings, including DH, and Wales. Government representatives are not NHS Pension Board members. It is proposed to instruct professional advisors, for example finance experts, Government Actuarial Department and lawyers on an “as required” basis to provide the breadth of specialist understanding to deliver compliance.

The NHSPS administrator (NHSBSA) will provide the necessary input into the NHS Pension Board to support it in delivering its assurance responsibilities.

DH will provide the secretariat and seek nominations and appoint based on the regulatory provisions. It is proposed that the NHS Pension Board meets on a quarterly basis, as a minimum.

Accountability

The NHS Pension Board collectively and NHSPB members individually are accountable to the Scheme Manager, the Secretary of State, as the responsible authority for the NHSPS.

In addition the NHS Pension Board will continue to provide regular updates to the DH Pension Executive Steering Group (ESG) as long as it continues. DH continues to be responsible for the contractual arrangements, including delivery against the contract and agreed KPIs, for NHS BSA.

Responsibilities of the NHS Pension Board

The NHS Pension Board is responsible for assisting the Scheme Manager in:

- overall assurance and governance of NHSPS administration;
- assuring effective and efficient administration of the NHSPS;
- assuring that decisions made by the NHSBSA are fully legally compliant, including consideration of cases that have been referred to TPR and/or the Pension Ombudsman; recommending changes to processes, training and/or guidance where necessary;
- supporting continuous improvements;
- assuring NHSBSA supports employers to communicate the benefits of the NHSPS and fully utilise it as part of the NHS reward offer through effective communication to members;

- assuring NHSBSA supports members with a range of tools to improve their understanding of their pension benefits as part of the NHS 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 TPR's codes of practice;
- fostering good working relationships with TPR;
- consideration of reports from TPR, including any responses to recommendations;
- producing an annual report outlining the work of the Board.

Membership

The membership of the NHS Pension Board will include:

- member representatives nominated by the staff side of the NHS Staff Council to ensure a broad representation of NHSPS membership; for example to include deferred and pensioner representation. Member representatives will be voting members;
- employer representatives covering the breadth of employers across the NHS. Employer representatives will be voting members;
- 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 NHSPB is equal;
- 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 NHSPB members at all meetings; no alternate representation or substitution is allowed.

The employer and member representatives will remain equal in number at all times.

Decision Making Process

The NHS 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

Two-thirds of the voting members of the NHS Pension Board will represent a quorum for Board meetings to go ahead. The Chair must be present for the meeting to be quorate. Non-quorate meetings may proceed in exceptional circumstances, but no binding decisions should be made nor votes taken.

Conflicts of Interest

The Public Service Pensions Act 2013 requires that members of the NHS Pension Board do not have conflicts of interests. As such all members of the NHS 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 TPR's *Code of Practice No. 14*. These declarations are

required as part of the appointment process, as well as at regular intervals throughout a member's tenure.

Training requirements

Members of the NHS Pension Board will be expected to have a good, sound knowledge and understanding of the NHSPS rules, 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 TPR's *Code of Practice number 14*.

Meeting arrangements

The NHS Pension Board will meet quarterly in the first year and this arrangement will be reviewed to ensure that it enables delivery of responsibilities. There will also be the possibility for ad-hoc meetings to be called if required at the Chair's discretion.

DH will undertake the secretariat function for the NHS Pension Board and will ensure that:

- facilities are available to hold meetings;
- an annual schedule of meetings is organized;
- suitable arrangements are in place to hold additional meetings if required – ensuring adequate notice;
- papers are distributed 7 days before each meeting except in exceptional circumstances;
- minutes of each meeting are circulated within 7 working days.

Expertise

It may be necessary to draw on particular experts or expert groups to support the responsibilities of the NHS 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 NHSPB member and does not have a vote. If required, sub-groups may be established to assist the NHSPB.

Relationship to the NHS Pension Scheme Advisory Board

Whilst the function of the NHS Pension Scheme Advisory Board (SAB) is to provide advice to the Responsible Authority (i.e. Secretary of State) about the desirability of NHSPS changes – there may well be a need for some sharing of information or discussion between the Boards. The NHS Pension Board Chair will hold regular meetings with SAB co-chairs; and the SAB minutes will form a standing agenda item for NHS Pension Board meetings.

Remuneration

Remuneration for NHS Pension Board members will be limited to a refund of actual expenses incurred in attending Board meetings, in accordance with DH expenses policy. The Chair's remuneration is agreed on appointment.

Tenure

Tenure periods for NHS Pension Board members will be three to five years 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. NHSPB members will have different tenures to ensure continuation of membership in equal numbers for

employer and staff-side. The Chair's tenure will be agreed on appointment, but will also be between three and five years.

Resignation of NHS Pension Board members will be documented in writing to the NHS Pension Board Chair and DH. A suitable notice period must be given, with 1 month being a minimum, to enable a replacement member to be found.

The performance of NHS Pension Board members will be assessed regularly to ensure 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

These terms of reference will be reviewed regularly.

Annex C - 2015/16 Workplan

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 for 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 Reward 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 	<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 TPR's <i>Public service governance and administration survey</i> - Agree outline of Pension Board Annual Report 2015/16 - Horizon scanning – future developments 	<ul style="list-style-type: none"> - MI & compliance pack review - Engagement & comms update - Review 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 MI Pack

Annex D - Pension Regulator Code Compliance

Code of Practice	Pension Board
Governing your scheme	
Knowledge and understanding required by pension board members	New members carry out a Training Needs Analysis (TNA), this is reviewed by the member and the Chair, and an individual training plan is produced. Annually all existing Pension Board members will be asked to complete a further TNA to establish if any new needs have arisen. Other training needs may be identified on an adhoc basis during the course of the year.
Conflicts of interest and representation	The Board has a Conflict of interest policy and at the start of every meeting members are asked to declare if they are aware of any potential conflicts of interest.
Publishing information about schemes	The Board has established a media policy and a 1 page summary of the key issues discussed at each meeting is published on Gov.uk.
Managing Risks	The Board has established a risk management policy and risk register. This is reviewed at each meeting.
Administration	
Scheme record keeping	NHSBSA compliance activity includes reviews of record keeping by NHSBSA and employers.
Maintaining contributions	NHSBSA compliance activity includes reviews of maintaining contribution payments.
Providing information to members	NHSBSA compliance activity includes reviews of disclosure obligations and effectiveness of member communications for all areas of scheme administration.
Resolving Issues	
Internal dispute resolution	Unresolved internal disputes are referred to the Pensions Ombudsman.
Reporting breaches of law	Suspected breaches of pensions law are reported to the Pensions Regulator.

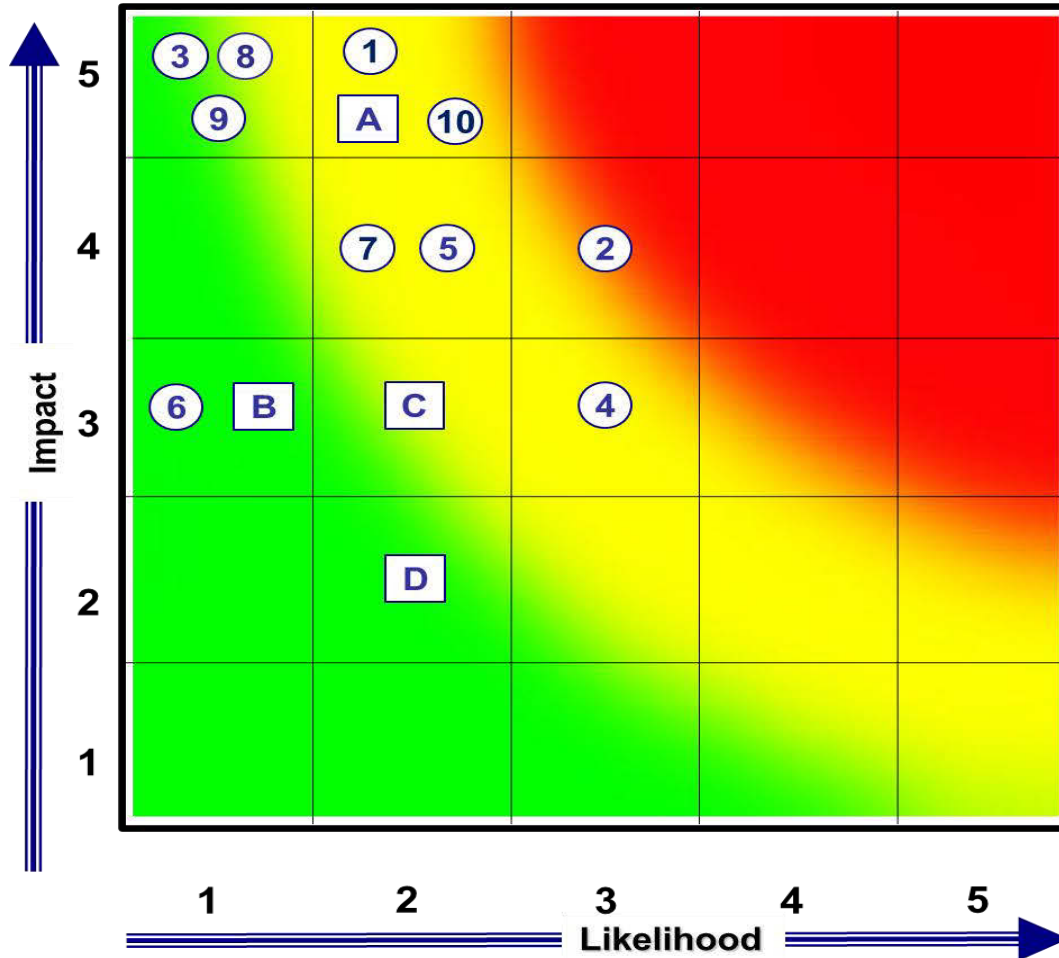


Annex E – Training delivered in 2015/16

TRAINING Delivered in 2015/16		
TRAINING MODULE	PURPOSE OF TRAINING	
Role of the Pension Board	To provide an overview of the role and function of the NHS Pension Board	
Pensions Legislation	To provide an overview of Pensions legislation, regulations and TPR codes of practice that the NHS Pension Scheme is required to conform to	
Pensions Legislation 2	To provide an overview of the relationship between Occupational Pension Schemes and State Pension Provision	
Overview of a Defined Benefit Pension Scheme	To provide a high level summary of how the funding and operation of a Defined Benefit pension scheme works	
Scheme Administration	To provide an overview of governance, operations and monitoring of the NHSBSA	
The NHS Pension Scheme	To provide an overview of the NHS Pension Scheme	
TPR e-learning modules	Conflict of interest	
	Managing Risk and Internal Control	
	Maintaining Accurate Member data	
	Maintaining Member contributions	
	Providing information to members and others	
	Resolving internal disputes	
TPR e-learning modules	Reporting breaches of the law	
	<ul style="list-style-type: none"> • Use of KPIs and MI to scrutinise NHS PS administration • Ensuring compliance with TPR codes of practice • Developing an annual report of NHSPS administration and making recommendations to Scheme Manager • Stakeholder Management • Workplan development 	
	Salary Sacrifice training	To provide an overview of salary sacrifice arrangements
	BSA Call Centre Deep Dive Training Session	To provide an overview of the BSA Call centre processes.



PENSION BOARD RISK DASHBOARD (April 2016)



Pension Board Risks

- A. PB failure to identify and report regulation breaches.
- B. Failure to declare conflict of interest.
- C. PB inexperience in identifying appropriate MI.
- D. PB expertise to scrutinise/challenge administrators.

Administrator Risks

1. Untimely/inaccurate employer/administrator communications.
2. Members' lack of understanding of benefits.
3. Major data loss/confidentiality breach.
4. Systematic data quality issues.
5. Systematic errors in calculating member benefits.
6. Increase in Late/Non-payment of contributions.
7. Increase in complaints leading to sanctions.
8. Major service failure.
9. Major IT failure.
10. Continuity of service post re-procurement.



KEY PERFORMANCE INDICATORS ²	
NHS PENSIONS - KEY PERFORMANCE INDICATORS FOR 2015-16	
Late payment cases	
AREA	KPI
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	KPI
Estimate (Practitioner)	97.50% within 40 working days
Estimate (Officer)	95.00% within 40 working days
Pensions on Divorce CETV (Cash Equivalent Transfer Value)	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 Rejoiner – CETV	99.00% within 3 calendar months
Data Integrity	
AREA	KPI
Data Integrity:	By the end of each quarter, 94% of member records requiring updates, are updated.

² NHS BSA KPI report will be published on the NHS BSA website in July 2016.



Call Centre (Newcastle)	
AREA	KPI
Employer Line (Newcastle)	70% of calls answered within 20 seconds
Employer Line (Newcastle)	Abandoned call rate does not exceed 5%
Member Line (Newcastle)	70% of calls answered within 20 seconds
Member Line (Newcastle)	Abandoned call rate does not exceed 5%
Call Referral clearance	98.00% in 48 hours
Accuracy	
AREA	KPI
Payments & Case Administration	98.50% (cumulative) is error free
Finance – Statutory	
AREA	KPI
Main employers	98% - pay pension contributions by 19th of each month following the prior month payroll
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 and Clinical Support Groups	98% - pay pension contributions by 19th of each month following the prior month payroll
New Fair Deal Employers	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	KPI
Payment of all pensioners	After initial payment made - 100%
BACS automatic notifications paid within 7 working days	100%
BACS manual notifications paid within 7 working days	85%
BACS manual notifications paid within 10 working days	100%
Payment issued for printing in Voucher ³ cases in 3 working days	85%
Payment issued for printing in Voucher cases in 6 working days	100%
Accuracy	All pension payments - 99.9%

³ Voucher payments are the old fashioned payable order or cheque payments for those pensioners who do not receive their payment by BACS. There are still a relatively small number of these but Equiniti (which makes pension payments to NHSPS retired members) do not accept requests for cheque payments any more.



Annex H – Referrals to the Pensions Ombudsman

The NHSBSA has dealt with 99 cases referred to the Pensions Ombudsman from April 2015 to February 2016. The number of Final Determinations that the Ombudsman has upheld or partially upheld against the NHSBSA within this period is 4, with 15 not upheld. Of the 99 cases, 80 are awaiting determination. The upheld cases are described in the table below.

Member exceeded maximum scheme membership limits	Upheld	May 2015
Member exceeded maximum scheme membership limits	Partially Upheld	July 2015
Member claimed retention of special class status on moving role	Upheld	September 2015
Incorrect assessment of additional years contract	Partially Upheld	September 2015

In respect of these 4 cases, the NHSBSA has taken the remedial action required to prevent a recurrence of the same errors in future.

The volume of cases referred to the Pensions Ombudsman, in the context of scheme membership and transactions handled, will be included in the Benchmarking work to be undertaken by the Chairs of the Public Sector Pension Scheme Boards.