



Department
of Health

NHS Pension Board Annual Report Covering the Period April 2016 to March 2017

October 2017

DH ID box
Title: NHS Pension Board Annual Report Covering the Period April 2016 to March 2017
Author: Workforce Directorate, NHS Pay and Pensions, Cost Centre: 13710
Document Purpose: Publication of the NHS Pension Board Annual Report, accounting for the last year of the Board's activity.
Publication date: October 2017
Target audience: NHS Pension Scheme members and employers
Contact details: NHS Pay and Pensions Department of Health Room 2W12, Quarry House Quarry Hill Leeds, LS2 7UE pension.board@dh.gsi.gov.uk

You may re-use the text of this document (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, visit www.nationalarchives.gov.uk/doc/open-government-licence/

© Crown copyright 2016

Published to gov.uk, in PDF format only.

www.gov.uk/dh

Contents

Contents	3
Introduction	4
Executive Summary	5
Background - NHS Pension Scheme.....	6
NHS Pension Board - Membership and Quorum.....	7
Pension Board Terms of Reference.....	8
2015/16 Objectives and Work Plan	9
2017/18 Objectives and Work Plan	15
Update on NHSPB Recommendations from the 2015/16 Annual Report	17
Seeking Feedback.....	17
Pension Regulator Reporting - Communication of Outcomes.....	17
Legislative Impacts on Public Sector Pension Schemes - Cross-Government Working	18
Recommendations from 2016/17	19
Seeking Feedback.....	19
Proactive Working between the Public Service Pension Scheme Boards	19
Conclusion	20
Annexes	21
Annex A - NHS Pension Board Membership	21
Annex B - NHS Pension Board - Terms of Reference	23
Annex C - 2016/17 Work plan	27
Annex D - Pension Regulator Code Compliance.....	28
Annex E - Training Delivered in 2016/17.....	30
Annex F - Pension Board Risk Dashboard - March 2017	31
Annex G - Key Performance Indicators	32
Annex H - Referrals to the Pensions Ombudsman.....	35
Annex I - ECSG	37
Annex J - Continuous Improvement Activity: April 2016 - March 2017	38

Introduction

This is the second annual report by the NHS Pension Board (NHSPB) which was established, as required under the Public Service Pensions Act 2013. From 1 April 2015, the NHSPB has had responsibility for “assisting the Scheme Manager” (Secretary of State for Health) 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 NHSPB met four times during 2016/17. Its main priorities during the year have been:

- continued development of its capability to ensure the 2015 NHSPS and the older 1995 and 2008 sections 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) which administers the NHSPS on behalf of the Scheme Manager to continue improving scheme administration.

In the first half of the year, service levels continued to be impacted by some of the administrative challenges which emerged as a result of the implementation of the 2015 NHSPS. The delays which materialised were reflected in higher complaint volumes than would normally be experienced during the first part of the year. Considerable work was carried out by the NHSBSA to improve the forecasting of activity volumes and to enhance the multi-skilling of staff resulting in service levels and complaint volumes returning to pre-implementation levels by the end of the year.

The NHSPB established an Engagement and Communications Steering Group (ECSG) in 2015, administered by NHSBSA and including NHSPB members to oversee improved communications with employers and NHSPS members. The ECSG has established a strategy for enhancing communication and engagement going forwards through the adoption of more advanced digital communication techniques. The NHSBSA has also established a Stakeholder team, to work collaboratively with employers to enhance communication and mutual understanding.

The NHSPB has continued to build constructive working relationships 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.

Going forwards, the NHSPB plans to continue its focus on enhancing NHSPS member experience whilst encouraging improved administrative efficiency and effectiveness to ensure optimum value is obtained from the NHS Pension Scheme levy (0.08% of pensionable pay) which employers start paying from 1 April 2017. It is intended to participate in an external benchmarking exercise, to allow best practice from other Public Service Pension schemes to be identified and adopted where appropriate.

Background - NHS Pension Scheme

The NHSPS provides pensions to NHS employees and eligible staff of third parties providing healthcare services. The 1995 and 2008 sections provide defined benefits based on final salary for most members, with the exception of practitioners¹ and locums whose benefits are calculated on a career average basis.

The 2015 NHSPS provides benefits on a career average basis for all members.

Member contribution rates are tiered based on members' pay. Both Schemes are unfunded occupational pension schemes backed by the Exchequer.

There are some 1.46 million contributing members across the NHSPS with pensionable pay of over £42 billion per annum. Pensions are paid to around 0.83 million pensioners amounting to around £7 billion pa paid as regular weekly or monthly payments. A further 0.6 million members no longer contributing to the NHSPS (known as deferred members) retain entitlement to receive a pension at retirement. Both members and employers contribute to the NHSPS. Members contribute between 5% and 14.5% of their pensionable pay, depending on their earnings and 9,065 employers' pay 14.3% of their pensionable paybill. Total contributions to the NHSPS are around £10 billion pa, with benefit payments of around £9.5 billion pa (this includes lump sum payments). The total liabilities of the NHSPS shown in the Scheme accounts at 31 March 2016 were £382 billion.

¹ Practitioners include GPs and dentists

NHS Pension Board - Membership and Quorum

Members of the NHSPB are shown in Annex A.

NHSPB member changes during the year were as follows:

- Colenzo Jarrett-Thorpe (Unite) replaced Barrie Brown (Unite) who resigned on 30 June 2016.
- Penny Brodie (Royal Berkshire NHS Foundation Trust) resigned on 19 January 2017.

Two-thirds of the voting members of the NHSPB will represent a quorum for NHSPB meetings to go ahead. The Chair must be present for meetings to be quorate. All meetings during 2016/17 have been quorate.

Pension Board Terms of Reference

Terms of Reference for the NHSPB are at Annex B. They have been reviewed and updated with the NHSPB agreeing them at its January 2017 meeting. They are reviewed annually.

2015/16 Objectives and Work Plan

The NHSPB workplan for 2016/17 has been completed, and is at Annex C.

A summary of performance against the 2016/17 objectives is as follows:

1. Ensure that all responsibilities under the NHSPB'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.

The NHSPB believes 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 NHSPS complies with the key aspects of TPR's Code of Practice No. 14.

Last year, the NHSPB reported to TPR what it considered to be a breach of auto-enrolment legislation by a NHS Foundation Trust as the NHSPB concluded the Trust may have been offering an inducement to leave the NHSPS. The Trust which was offering increased pay to some nursing staff in exchange for alternative pension provision with reduced contributions or no pension provision, has withdrawn this offer having said its aims had been achieved.

The NHS BSA also submitted a breach of law report to TPR in respect of an employer who disputed the cost of an early retirement in the interests of efficiency of the service. The employer has refused to pay the costs of that early retirement despite them being legally responsible for those costs. However TPR felt unable to intervene in this instance.

2. Continue the development of the Risk Management framework, and ensure that key risks are effectively identified and managed.

During 2016/17, administrator risks have been reviewed and updated at the NHSPB pre meetings between the Chair, NHSBSA and the Department of Health (DH) and then reported to the NHSPB. NHSPB risks and external risks (those which can only be mitigated by stakeholders other than the NHSPB and its partners), are considered by the NHSPB at each of its meetings. The latest risk dashboard is at Annex F.

Further development of the NHSPB's approach to risk management is planned for 2017/18.

3. Ensure delivery of the Engagement and Communication Strategy (ECS)

The ECS is being successfully delivered via the ECSG which oversees the development of communications to effectively meet the various audiences' information needs by ensuring:

- information is explained in the simplest terms using plain English;
- communications are cost effective and represent value for money.

The focus of ECSG activity during 2016/17 has been

- the development of the new NHSBSA website;
- the development of member and employer notifications where there has been a failure to pay contributions on time.

ECSG priorities for the coming year will be

- further development of the NHSBSA website to respond to stakeholder feedback;
- the promotion of electronic communication as a first port of call for members and employers;
- the development of e-learning facilities.

ECSG reports to the NHSPB at each of its meetings. A summary report on the work of the ECSG is at Annex I.

4. Consolidate and continue NHSPB member training and development, to ensure all members are able to perform their responsibilities effectively.

Individual and generic NHSPB training needs were identified through a series of one to one discussions between NHSPB Members and the Chair, as well as through collective NHSPB discussion. NHSPB member training and development was then incorporated into the 2016/17 work plan.

A review of the terms of office of NHSPB members has been initiated, with a view to ensuring that appropriate succession planning is carried out in a timely manner going forwards.

5. Engage in the process to agree Key Performance Indicators (KPIs) for NHSBSA.

The DH has agreed KPIs with NHSBSA which are incorporated into the Management Information pack that NHSBSA prepares for each of the NHSPB meetings. NHSPB decided to take a more strategic overview of KPIs, devoting time to periodic 'deep dives' in key performance areas to help the NHSPB understand more about the overall administration of the NHSPS, leaving more detailed operational oversight to NHSBSA's internal governance and monthly service level agreement reviews with the DH. Going forwards, the NHSPB will seek to formalise a process whereby it can become more engaged with the process of agreeing appropriate KPIs between DH and NHSBSA.

The NHSBSA has introduced a Quality Framework which has resulted in consistent overachievement of the quality target of 98.5% for accuracy of pensions administration. Quality Coaches have been appointed to mentor staff and oversee the entire member journey from a quality perspective.

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.

A Stakeholder Engagement Team (SET) has been established to work more closely with Employers to identify areas for improvement. The NHSPB receives regular reports on the

progress being made by the SET in enhancing employer performance and relationships. The SET presented to the NHSPB in November 2016, and a further deep dive on stakeholder engagement is planned for November 2017.

Particular areas of focus for the SET in 2016/17 have been:

- providing each employer organisation with a NHSBSA contact;
- ensuring employers are aware of their legal responsibilities in relation to NHSPS administration;
- recovery of overdue contributions and escalating non-payment of contribution issues.

7. Consider and respond to any findings made by TPR

Key finding (from 2017 survey)	NHSPS Position
<p>Schemes are making progress in establishing the processes that TPR regards as key in supporting compliance with legal requirements and meeting TPR standards.</p>	<p>The key processes are:</p> <ul style="list-style-type: none"> • conflicts of interest policy • policies to ensure NHSPB members acquire and retain key knowledge and understanding • documented procedures for managing risk • monitoring member records • resolving payment issues and assessing failures • identifying, assessing and reporting breaches of law <p>NHSBSA and/or the NHSPB have all such processes in place with regular reviews scheduled to take place throughout the year.</p>
<p>Concerns over the frequency and rigour of data reviews</p>	<p>A Data Manager has been appointed at the NHSBSA and a Data Strategy is under development. Engagement with TPR has taken place to discuss the content of the Strategy and regular meetings between TPR and NHSBSA are used to monitor progress. The Strategy is intended to schedule regular reviews, prioritise data amendments and improve the quality of NHSPS record keeping.</p> <p>Currently the accuracy of NHSBSA data is:</p> <ul style="list-style-type: none"> • For Active members (those who continue to make NHS pension contributions to the NHSPS) – 73% • Deferred (those who have protected benefits but no longer make NHS pension contributions)– 89% • Pensioner (those who are drawing their NHS pension) – 95%

<p>Concerns over the thoroughness and rigour of administrator controls – especially over outsourced administrators</p>	<p>The NHSPB 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 Compliance Team which conducts ‘second line’ checks to ensure they are operating effectively. This has identified a number of areas for improvement, and these were reported to the NHSPB as follows:</p>	
	<p>Pensions on Divorce</p>	<p>June 2016</p>
	<p>Greenbury (statements of pension liabilities in Trust Accounts)</p>	<p>July 2016</p>
	<p>Additional Pension casework</p>	<p>August 2016</p>
	<p>Additional Pension communications</p>	<p>August 2016</p>
	<p>Actuarially Reduced Award payments</p>	<p>August 2016</p>
	<p>Awards payments casework</p>	<p>October 2016</p>
	<p>Awards payments communications</p>	<p>October 2016</p>
	<p>Redundancy Award payments</p>	<p>November 2016</p>
	<p>Early Payment of Preserved Benefits</p>	<p>December 2016</p>
	<p>Early Retirement Reduction Buy-out</p>	<p>January 2017</p>
	<p>Record keeping requirement benchmarking report</p>	<p>February 2017</p>
	<p>Various recommendations have come from the compliance reports which have been turned into an Action Plan which the NHSBSA are working through to ensure changes are made.</p> <p>Examples of recommendations are:</p> <ul style="list-style-type: none"> • to complete the production of Technical Guides on all 	

	<p>processes,</p> <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>In addition to the compliance work, the NHSBSA's internal audit programme provides 'third line' oversight and its findings are also reported to the NHSPB.</p>
--	---

8. Develop a programme to continue activities driving service improvement in respect of NHSPS administration.

At each of its meetings, the NHSPB considers opportunities for making service enhancements. Some examples of the continuous improvement activity undertaken in 2016/17 are at Annex J.

Major continuous improvement activities for 2017/18 will include:

- an alternative verification and authentication system to replace Government Gateway to enable NHS staff to easily access their Total Reward Statements;
- introduction of a digital service to allow all employers to submit contribution details to reduce the cost of administering submissions and the incidence of late payments.

The NHSPS Administration Service re-procurement programme is managing the insourcing of pensioner administration, payroll administration and payroll. This is a major change that impacts the NHSBSA and their contractor, Equiniti. The DH and the NHSBSA agree this work takes priority over other change initiatives.

9. Review the performance of the NHSPB, to ensure any areas for improvement are identified and addressed.

The NHSPB self-assessed its effectiveness at the end of its second year. This concluded that in most areas, the NHSPB is perceived to be operating effectively by its members. Two areas for further work were identified as follows:

- Further development of processes to identify and oversee key risks, to ensure that this is a sufficiently dynamic, forward-looking and responsive process. Further work on the risk management process will therefore take place during 2017/18.
- The effectiveness of NHSPB challenge, given the concerns raised by NHSPB Members during the year relating to the introduction of arrangements by a small number of Trusts which offered flexible pay schemes which were perceived to incentivise staff not to join the NHSPS. NHSPB Members expressed concerns that, based on the current interpretation of auto-enrolment legislation by TPR, these schemes had not been found to be in breach of the law.

10. Deliver an annual report summarising the work of the NHSPB, making recommendations as appropriate.

This is the NHSPB's second annual report.

11. Continue the development of effective working relations with all key stakeholders.

The NHSPB has developed working relationships as follows:

- DH – presenting the annual report to ministers on time. The NHSPB Chair met Lord Prior, the former Minister for NHS Productivity about the NHSPB's annual report covering potential areas for improvement and how the NHSPB can increase its impact.
- TPR – the Chair has attended Advisory Board events co-ordinated by TPR on behalf of all Public Service Pension Schemes. TPR has also been invited to present to the NHSPB on the findings of its Survey of Public Service Pension Schemes.
- Other Public Service Pension Board Chairs – the Chair has also met informally with the Chairs of the other centrally administered Public Service Pension Schemes, to share experience and identify potential areas for collaboration and sharing of best practice (e.g. benchmarking, communication etc). Further meetings are scheduled.

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.

DH has reported to the NHSPB on any forthcoming changes in legislation and regulation as they have arisen. The NHSPB has a specific item on its workplan each year to 'horizon scan', identifying potential future changes which may impact on the administration of the NHSPS in the future.

The NHSPB has responded to consultations on proposed changes in legislation where relevant – in particular, around the responsibilities of the NHSPB in relation to the introduction of the new NHSPS Administration Levy from 1 April 2017.

13. Consider any impact from the ongoing re-procurement exercise on NHSPS administration.

There may be some impact on a few KPIs as a result of work to support the ongoing re procurement. A detailed plan will be submitted to DH once the full transition resource plan is finalised in July 2017.

14. Establish a benchmarking approach, to allow the comparison of performance across all Public Service Pension Schemes.

A full benchmarking exercise will be carried out during 2017 with results expected towards the end of the calendar year.

2017/18 Objectives and Work Plan

The NHSPB has agreed the following objectives for 2017/18:

1. Ensure that all responsibilities under the NHSPB'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 that the Engagement and Communication Strategy is reviewed and remains fit for purpose, and oversee its ongoing delivery. In particular, commission work to explore the options for providing members with pension projections through total reward statements/website modelling.
4. Consolidate and continue Board member training and development, to ensure all members are able to perform their responsibilities effectively, and ensuring suitable succession planning is in place as Member terms begin to expire.
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 in employer performance are identified and implemented.
7. Consider and respond to any findings made by TPR in its annual survey of public service pension schemes
8. Ensure continued focus on developing and implementing a programme of activities driving service improvement in respect of NHSPS administration, utilising the output from benchmarking and considering employers' and members priorities.
9. Review the performance of the NHSPB, to ensure any further areas for improvement are identified and addressed.
10. Deliver an annual report summarising the work of the NHSPB, 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. Oversee any impact from the ongoing re-procurement exercise on NHSPS administration.

The work required to deliver against these objectives has been built into a new work plan for 2017/18 as set out below

Work plan 2017/18

April 17	Jul 17	Nov 17	Jan 18
<ul style="list-style-type: none"> • MI & compliance pack review • Review key risks • 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 • Continuous improvement initiatives • Data deep dive 	<ul style="list-style-type: none"> • MI & compliance pack review • Review Key risks • Final sign off of Annual Report • Re-procurement update • One to ones – training needs review • Review Terms of Reference • Continuous improvement initiatives • Agree 18/19 meeting dates • Review <u>PB</u> member appointments • TPR Governance presentation 	<ul style="list-style-type: none"> • MI & compliance pack review • Review key risks • Engagement & comms update • Training plan review • Review Risk <u>Mgt</u> approach • Update from Stakeholder Engagement team on employer engagement • Review Training Policy and Process • Continuous improvement initiatives • KPI & Work management tool deep dive • Customer satisfaction • One to one Training Needs Review 	<ul style="list-style-type: none"> • MI & compliance pack review • Review key risks • Review of Engagement & comms strategy for 2018 • Agree outline of Pension Board Annual Report 2017/18 • Horizon scanning – future developments • Consider changes to MI pack for 18/19 • Review impact of move to employer payment of pensions admin costs • Continuous improvement initiatives • Complaints & Ombudsman cases deep dive • Benchmarking outputs

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

Update on NHSPB Recommendations from the 2015/16 Annual Report

In last year's Annual Report, the NHSPB made three recommendations set out below. Updates on progress against them is summarised below each one.

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 NHSPB 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.

Update: The ECSG in conjunction with NHSBSA's SET is developing new mechanisms for feedback on service quality, in particular, planning to make better use of digital communication opportunities. These will help BSA target scheme levy resources to optimum effect.

Pension Regulator Reporting - Communication of Outcomes

The NHSPB has made a small number of referrals to TPR regarding what it considered to be material breaches of pension's 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 NHSPB appreciates that there may be issues of confidentiality to be considered. However, since the purpose of new governance processes around Public Service 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.

Update: TPR has not changed its approach in respect of availability of information it is provided through referrals. However, the NHSPB is developing a good working relationship with TPR, inviting them to attend NHSPB meetings to ensure the NHSPB is aware of how to make best use of TPR to improve NHSPS administration and ensure NHSPB is overseeing implementation of any governance improvements required by TPR following its annual governance survey of Public Service Pension Schemes.

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 Service 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 NHSPB recommends that where changes to pension's legislation are implemented in future, there should be closer Cross Government working, at an early stage to minimise the impact on Public Service Pension Scheme members.

Update: The Officers Committee on Pensions administered by HM Treasury has attempted to, where appropriate, ensure closer cross Government working. For example, a common approach to legislative changes has been adopted following the recent "Brewster" test case in respect of the requirement for signed nomination forms to access pension funds in the event of the death of a partner in a non-marital relationship.

Recommendations from 2016/17

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 2017/18 targeted Customer Satisfaction Surveys will be implemented. The NHSPB will work with the NHSBSA to use the results of these surveys to evaluate and shape service provision and inform future investment priorities.

Proactive Working between the Public Service Pension Scheme Boards

It is recommended that pro-active working between the centrally administered Public Service Pension Scheme Boards is further developed, with particular focus on:

- consistency in working with TPR and the Pensions Ombudsman to identify common areas for improvement in pension's administration and dealing with suspected breaches of law and regulation;
- consistency in risk identification and management, with the aim of collectively enhancing services to employers and scheme members;
- considering how schemes engaged in administrative services re procurement can co-ordinate activities to improve cost-effectiveness and efficiency;
- effective utilisation of planned benchmarking across schemes to share best practice and enhance service provision;
- consistency in engagement with members, sharing best practice in use of technology to support self-service options;
- considering a consistent approach to the calculation of pensions outcomes in annual Benefit Statements.

Conclusion

The second formal year of operation has consolidated the NHSPB 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 2015 NHSPS, the NHSPB aims to focus on continuous improvement in communication, service provision, cost effectiveness and NHSPS member experience, as well as continuing to ensure effective compliance of the NHSPS with all relevant legislation and regulations.

I would like to thank all Members of the NHSPB for their contributions during the past year, as well as all stakeholders and observers who continue to play a key role in our work.

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

Annexes

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
Colenzo Jarrett-Thorpe	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

NHS Pension Board Annual Report Covering the Period April 2016 to March 2017

	Manager
Christine Boon	Care UK – Group Pensions Manager
Louise Tibbert	Director of Workforce and Organisational Development – University Hospitals of Leicester NHS Trust
Penny Brodie (resigned with effect from 19 January 2017)	NHS Pensions Team Manager – Royal Berkshire NHS Foundation Trust

NHS Pension Board Meetings - Members' Attendance 2016/17

April 2016 – 92%

July 2016 – 92%

November 2016 – 75%

January 2017 – 92%

Annex B - NHS Pension Board - Terms of Reference

Introduction

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

The Act also specified that Pension Boards should have equal numbers of member and employer representatives – currently six each on the NHS Pension Board (NHSPB).

The NHSPB 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, established the NHSPB in law. Schedule 1 of those Regulations adds further detailed regulatory provisions relating to the NHSPB.

In addition to the member and employer representatives, government representatives attend NHSPB meetings, including DH, and Wales. Government representatives are non-voting board members. Professional advisors, for example, accountants, Government Actuary’s Department and lawyers can be instructed from the DH’s resource allocation providing the requirement for that advice is in line with the NHSPB’s legislative responsibilities.

The scheme administrator (NHSBSA) will provide the necessary input to support the NHSPB in delivering its assurance responsibilities.

The NHSBSA will provide the secretariat with DH seeking nominations and making appointments to the NHSPB based on the regulatory provisions. The NHSPB meets quarterly.

Accountability

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

DH continues to be responsible for contractual arrangements, including delivery against agreed KPIs, for NHSBSA.

Responsibilities of the NHSPB

The NHSPB is responsible for assisting the Scheme Manager in:

- overall assurance and governance of the NHSPS administration;
- assuring effective and efficient administration of the NHSPS;

- assuring that decisions made by 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 improvement in the administration of the NHSPS;
- assuring NHSBSA supports employers to communicate the benefits of the NHSPS and fully utilise it as part of the NHS total 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 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 Career Average Revalued Earnings (CARE) pension outcomes;
- complying with TPR's codes of practice;
- fostering good working relationships with TPR;
- consideration of TPR reports including responses to recommendations;
- producing an annual report outlining the work of the NHSPB throughout the NHSPS year.

Membership

The membership of the NHSPB includes:

- 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 employer representation across the NHSPS. Employer representatives will be voting members;
- an independent Chairperson appointed via the Public Appointments process. The Chair holds the deciding vote if any vote taken by the member and employer representatives on the Board results in an equal vote;
- representatives from DH, who are non-voting members;
- a representative from the Welsh Government, who is a non-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 NHSPB operates on a consensus basis; however each member (except government representatives) has individual voting rights. In the event that consensus cannot be reached, a vote is taken. The Chair does not vote at this stage; only if the vote is equal will the Chair have the deciding vote. The scheme manager is made aware when a decision is reached in this manner.

Quorum

Two-thirds of the voting members of the NHSPB 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 are made nor votes taken.

Conflicts of Interest

The Act requires that members of the NHSPB do not have conflicts of interests. All members of the NHSPB are required to declare any interests and any potential conflicts of interest in line with legal requirements in the Act and TPR's code of practice. 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 NHSPB will be expected to have a good, sound knowledge and understanding of the NHSPS rules, the NHSPS'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 Her Majesty's Treasury and the Department for Work and Pensions. This is set out in TPR's Code of Practice number 14, "governance and administration of public service pension schemes".

Meeting arrangements

The NHSPB meets quarterly. Frequency of meetings is kept under review to ensure NHSPB responsibilities are discharged. There is the possibility for ad-hoc meetings if required at the Chair's discretion.

The NHSBSA undertakes the NHSPB's secretariat function ensuring:

- 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 14 working days following each meeting.

Expertise

It may be necessary to draw on particular experts or expert groups to support the responsibilities of the NHSPB, such as actuaries and lawyers. This is 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 are occasional needs for some sharing of information and discussion between the Boards. The NHSPB Chair holds regular meetings with SAB co-chairs; and the SAB minutes are a standing agenda item for NHSPB meetings.

Remuneration

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

Tenure

Tenure period for NHSPB members is three to five years on a rolling appointment basis – with a maximum of nine years in any continuous period of 12 years.

Tenure is decided by the scheme manager during the appointment process; NHSPB members have different tenures to ensure continuation of membership in equal numbers for the employer and staff-side members. The Chair's tenure is agreed on appointment, again between three and five years.

Resignation of NHSPB members is documented in writing to the NHSPB Chair and DH. A minimum 1 month notice period must be given to enable a replacement member to be found in time for the next NHSPB meeting.

The performance of NHSPB members is assessed on a periodic basis 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 NHSPB member.

Review

These terms of reference are reviewed periodically.

Annex C - 2016/17 Work plan

April 16	Jul 16	Oct 16	Jan 17
MI & compliance pack review	MI & compliance pack review	MI & compliance pack review	MI & compliance pack review
Full Review of PB policies	Review Key risks	Review key risks	Review key risks
Review of PB and admin Risks	Final sign off of Annual Report	Engagement & comms update	Engagement & comms strategy for 2017
Approve Risk Management Policy	Re-procurement update	Training plan review	Consider outcomes from TPR survey
Review of draft Annual Report for 2015/16	Review of Engagement & comms strategy based on annual satisfaction results	Discuss benchmarking approach	Agree outline of Pension Board Annual Report 2016/17
Comms update including BSA Comms plan for the next 12 months	Review of new 12 month comms plan	Review Risk Mgt approach	Horizon scanning – future developments
One to ones – training needs review	One to ones – training needs review	Update from Stakeholder Engagement team on employer engagement	Consider changes to MI pack for 17/18
Review Escalation Process & Media Policy	Total Rewards Statements – Lessons Learned from 2nd year	Training – Digital delivery	Review impact of move to employer payment of pensions admin costs
Training – Governance and Valuation	Review Terms of Reference		
	Review and agree continuous improvement initiatives		
	Training – GMP overview		
	Agree 17/18 meeting dates		
	Review PB member appointments		

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 NHSPB 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 ad hoc basis during the course of the year.
Conflicts of interest and representation	The NHSPB 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 NHSPB 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 NHSPB 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. Employers are reported to TPR if they fail to pay contributions within 90 days of the due date
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

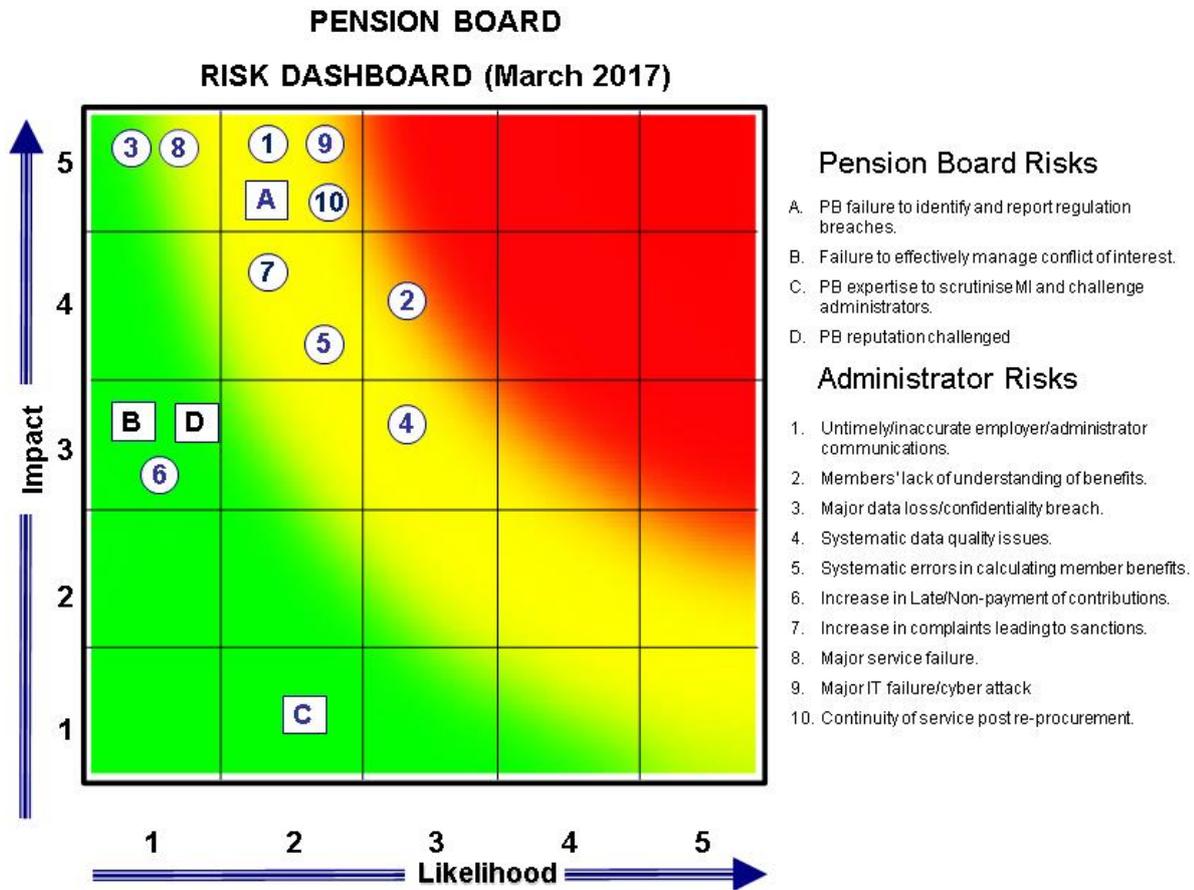
Error! No text of specified style in document.

	reported to TPR.
--	------------------

Annex E - Training Delivered in 2016/17

TRAINING Delivered in 2016/17	
TRAINING MODULE	PURPOSE OF TRAINING
Governance and Valuation	To provide an overview of the governance arrangements for and processes underpinning the next valuation of the NHSPS
Working as a Board	<p>To provide an overview of:</p> <ul style="list-style-type: none"> - the skills required of Board members - the annual work programme including: <ul style="list-style-type: none"> o the role of the NHSPB and its members in developing the work programme o assessing how the work programme supports the delivery of the NHSPB's overall objectives o progress monitoring - The role of the NHSPB and its members in: <ul style="list-style-type: none"> o identifying, quantifying and mitigating risks o managing issues - Measuring achievement in discharging the function of the NHSPB
Guaranteed Minimum Pension overview	To provide an overview of how the Government is planning to deliver the Guaranteed Minimum Pension to those eligible.
Internal Dispute Resolution (IDR) Training	To familiarise the NHSPB with the two stage IDR process
Digital Delivery	To provide an overview of how NHSBSA is making use of digital technology to provide an improved service to employers and members

Annex F - Pension Board Risk Dashboard - March 2017



Annex G - Key Performance Indicators

KEY PERFORMANCE INDICATORS	
NHS PENSIONS - KEY PERFORMANCE INDICATORS FOR 2016/17	
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.
Call Centre (Newcastle)	
AREA	KPI
Employer Line	70% of calls answered within 20 seconds
Employer Line	Abandoned call rate does not exceed 5%
Member Line	70% of calls answered within 20 seconds
Member Line	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
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 (Bacs [formerly Bankers Automated Clearing Services] Payment Schemes Limited) 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 Voucher2 cases in 3 working days	85%
Payment issued for printing in Voucher cases in 6 working days	100%
Accuracy	All pension payments - 99.9%

² 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 52 cases accepted for investigation by the Pensions Ombudsman (TPO) from April 2016 to March 2017. In respect of the 43 cases TPO has responded to so far, the number of Final Determinations where TPO has upheld or partially upheld a complaint against the NHSBSA within this period is 17, with 26 complaints not upheld. The upheld and partially upheld cases are described in the table below.

TYPE	UPHELD/PARTLY	MONTH
Ill Health Application	Partly Upheld	April 2016
Bereavement - delay in payment of widowers pension	Partly Upheld	April 2016
Incorrect retirement figure provided in estimates	Partly Upheld	May 2016
Ill Health Application	Partly Upheld	June 2016
Bereavement – continuation of widows pension	Partly Upheld	June 2016
Incorrect retirement figure provided due to incorrect service	Partly Upheld	June 2016
Delay in Award payment	Upheld	July 2016
CETV request went past transfer deadline	Partly Upheld	September 2016
Incorrect estimate and award (Practitioner)	Upheld	September 2016
End date and access to widows pension	Partly Upheld	October 2016
Incorrect estimates due to dummy figure used	Partly Upheld	November 2016
Overpayment of Ill Health Benefits	Partly Upheld	December 2016
Mental Health Officer status	Upheld	December 2016
Transfer and record keeping	Upheld	March 2017
Delays in paying Lump Sum on death	upheld	March 2017

Incorrect estimate and award resulting in on overpayment	Partly upheld	March 2017
--	---------------	------------

In respect of these 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 TPO, 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.

NHS Pensions

Engagement and Communications Steering Group (ECSG) summary – April 2016 to March 2017

Communications and Engagement Plan

The ECSG was given the opportunity to comment and contribute to the NHS Pensions Communications and Engagement Plan for 2016/17.

New website

The ECSG has been shown various stages in the development of the new NHSBSA website with the opportunity to provide feedback for consideration. The ECSG discussed the importance of clear, concise information based on user requirements and will continue to be kept informed of developments so that each member can utilise their available communication channels to help publicise the new website when it launches.

Use of video

NHS Pensions showed ECSG a couple of videos produced for members and presented ideas for further videos focussed on specific aspects of the NHSPS. Storyboards have been shared with the ECSG to give the opportunity for feedback and comment before production commences. The ECSG agreed to promote the videos through its own channels as they are published.

Department of Health guidance

The ECSG was given the opportunity to comment on draft retire and return guidance produced by the Department of Health.

Methods of communicating with employers

The ECSG has discussed the need for different ways in communicating with employers to convey important messages. These have included discussions on how to publish Total Reward Statement (TRS) league tables to encourage employers to promote TRS as well as ensure their data is as clean as possible. There have also been discussions around letters sent by the Stakeholder Engagement Team to employers when they do not comply with payment of contributions. The letters were shared with the group for their input and contribution.

Annex J - Continuous Improvement Activity: April 2016 - March 2017

Activity	Benefits
Automation of Award payment calculations and worksheets	Improved accuracy and processing time
Amendments to Death benefit claim forms	Reduced call volumes and processing time
Creation of Death benefit worksheets	Improved customer service, consistent approach for staff
Improvement of Direction application process	Reduced processing time, improved quality, consistent approach for staff
Introduction of processing and quality checklist	Consistent identification of errors, standard approach for staff and Quality Coaches
Process for location of missing NHSPS membership	Improved customer service has now clear process for members to help them provide any missing NHSPS membership details. Reduction in NHSBSA administration.