

Health and Social Care Pension Board

Annual Report

Year ended 31 March 2019

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Annex A – HSC Pension Service – Key Performance Indicators

1. Introduction

This is the third Annual Report by the HSC Pension Board (HSCPB) which was established under The Public Service Pensions (Northern Ireland) Act 2014. From the 1 April 2015 the HSCPB had the responsibility for “assisting the Scheme Manager” in securing compliance with all relevant pensions law, regulations and directions in respect of the Health and Social Care Pension Scheme, as well as with the Pension Regulator’s Codes of Practice No.14 - for Public Sector Schemes.

2. Foreword by Independent Chair

I am pleased to record that I have completed my first year as Independent Chair of the HSC Pension Board.

The HSC Pension Board met three times during the 2018/19 years with meetings being held on 3 July 2018, 6 November 2018 and the 30 January 2019. Only the meeting held on 6 November 2018 was quorate.

During the year the HSC Pension Service completed the Guaranteed Minimum Pension (GMP) reconciliation exercise, a significant administration exercise which all public service schemes were required to undertake as advised by HMT.

The Business Services Organisation (BSO) confirmed that underpaid employer contributions totalling circa £15m identified by PSS Payroll in March 2017, which resulted in a ‘Breach of Law’ notification to the Pension Regulator, have been paid in full. The Pension Regulator applied no enforcement action as a result of the breach of law.

Challenges relating to the accuracy and provision of data have continued throughout the reporting year. Good progress was made. The head of the HSC Pension Service provided regular updates on the Data Improvement Plan. HSC Pension Service confirmed that funding for an additional 9 staff to deal with pension data/payroll issues had been secured, and it was expected that the additional staff would be in post from April 2019. This development was welcomed by the Board.

Following the completion of the actuarial valuation the employer contribution rate will increase from 16.3% to 22.5% on the 1 April 2019. In addition, there was a floor breach of the employee cost cap of 3.4%. The Scheme Advisory Board considered a number of options for rectifying the breach. However, implementation has been delayed pending the outcome of the McCloud / Sergeant Court Case and subsequent appeal. Depending on the outcome there could be significant implications for the Pension Scheme.

The recently appointed Employment Liaison Officers deliver a wide range of bespoke Pension Engagement Sessions/Workshops to both employers and employees. The feedback from these events has been very positive.

The Board continued to monitor the Key Performance Indicators as outlined in the SLA with BSO, which are largely being met.

The Board noted concern that high earners are leaving the scheme early, mainly due to taxation Annual Allowance and Lifetime Allowance limits and high pension contribution rates.

During the year responses were issued on two Government consultation papers, the 'Pensions Dashboard' and the 'Pensions Ombudsman Mediation Process'.

Overall the Board's activities in this past year have set it on a firm footing to continue improving Pension Scheme governance, administration and communications in 2019/20.

The Board developed and issued a Business Plan for 2019/20 at the start of that year and initiated the preparation of a training plan for members.

Minutes of Board meetings for this reporting year and the Business Plan for 2019/20 can be found on the HSC Pension Service website www.hscpensions.hscni.net under the heading 'Pension Board'.

3. Background – HSC Pension Scheme

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

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

The 2015 scheme is open to all HSC employees and employees of other approved organisations. Most active members of the HSCPS transferred to the HSCPS 2015 Scheme on 1 April 2015. Under transitional arrangements aimed at providing protection for those nearest retirement age, some older members are continuing in the HSCPS until they leave due to retirement or otherwise, while others will transfer to the HSCPS 2015 Scheme at a later date.

There are 97,000 current and deferred members across the schemes with pensions paid to around 37,000 pensioners. Both members and employers contribute to the

schemes. Members pay between 5% and 14.5% of pay, depending on their earnings. With effect from 1 April 2015 employers pay a contribution rate of 16.3%.

4. HSC Pension Board – Membership

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

Independent Chair: David Best

Employer representatives included:

Oonagh Burns (Resigned in-Year)	Business Services Organisation
Noleen McCreanor	South Eastern Trust
Maryna Chambers	Northern HSC Trust
Pamela Crozier (Resigned in-Year)	Western HSC Trust
Cara McLaughlin	Western HSC Trust
Jacqui Kennedy (Resigned in year)	Belfast HSC Trust
Alan Stout	NIGPC
Andrea Henderson	South Eastern HSC Trust

Member Representatives included:

Kevin McAdam	UNITE
Roberta Magee	UNISON
Kevin McCabe	NIPSA
Desmond Lowry	RCN
Mary Caddell	RCM
Dr Padhraic Conneally	BMA

Attendance Record of Board Members

Meeting Date	3 July 2018	6 November 2018	30 January 2019
David Best (Chair)	✓	✓	✓
Oonagh Burns (resigned in-year)			
Pamela Crozier (resigned in-year)			
Jacqui Kennedy (resigned in-year)			✓
Noleen McCreanor (appointed January 2019)			✓
Cara McLaughlin (substituted for Pamela Crozier – permanent appointment 5 April 2019)	✓		
Maryna Chambers			✓
Alan Stout		✓	
Andrea Henderson		✓	✓
Kevin McAdam		✓	
Roberta Magee	✓	✓	
Kevin McCabe	✓	✓	✓
Desmond Lowry	✓	✓	
Dr Padhriac Conneally	✓	✓	
Mary Caddell	✓		

5. HSC Pension Board – Responsibilities

The Terms of Reference for the Pension Board can be found on the HSC Pension service website www.hscpensions.hscni.net under the heading 'Pension Board'.

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

- Overall assurance and governance of the HSC Pension Scheme administration;
- Assuring effective and efficient administration of the scheme;
- Seek assurance that decisions made by the scheme administrator are fully legally compliant, including consideration of cases that have been referred to the Pension Regulator and/or the Pension Ombudsman; recommending changes to processes training and / or guidance where necessary;
- Supporting continuous improvements;
- Assuring the scheme administrator supports employers to communicate the benefits of the HSC Pension Scheme through effective communication to members;
- Assuring the scheme administrator supports members with a range of tools to improve their understanding of their pension benefits as part of the total reward offer, and to inform their personal financial and career planning;
- Supporting effective implementation of the Employer Charter;
- Enabling data quality improvements to deliver CARE pension outcomes;

- Compliance with the Pension Regulator's codes of practice;
- Fostering good working relationships with the Pension Regulator;
- Consideration of the annual report from the Pension Regulator, including any responses to recommendations;
- Producing an annual report outlining the work of the Board throughout the scheme year

6. HSC Pension Board – Work Plan

A number of standing items were agreed on which the Pension Board should focus their work during the reporting year.

STANDING ITEMS:

- Conflicts of Interest
- Scheme Manager's Report
- Data Improvement
- Presentations on pension related matters.
- Risk Register ongoing reviews
- Scheme Valuation
- Recent legislative changes

A summary of progress on these issues is set out below:-

Conflicts of Interest

No conflict of interests were declared throughout the course of the reporting year. At the January 2019 meeting it was agreed that Board Members should complete a Register of Interests.

Scheme Manager's Report / Data Improvement

The Board welcomed the fact that HSC Pension Service has obtained the funding for an additional 9 staff to deal with pension/payroll data issues from April 2019. It was agreed that the Scheme Manager's report should include evidence of progress achieved in relation to pension/payroll data issues

Risk Register

The risk register included the following items:

- Quorum at quarterly meetings
- Member knowledge and understanding
- Member ability to scrutinise information/ reports
- Conflict of interest
- Data accuracy.

At the January 2019 meeting the Board agreed that the risk register should be given more detailed consideration future meetings. In addition, it was agreed that a

business planning day should be arranged for 8 May 2019 at which the Pension Board risk register would be reviewed.

In the interim it was agreed that, data accuracy, McCloud/Sargeant court ruling and the impact of high earners leaving the scheme early should be added to the existing risk register.

Scheme Valuation

Board members were kept apprised of the work of the Scheme Advisory Board, in particular, the impact of the McLeod/Sargeant court ruling and the increase to the employer contribution rate from 1 April 2019 as a result of the scheme valuation.

Recent Legislative changes

No legislative changes were introduced in the reporting year.

Key Performance Indicators (KPI)

The key Performance Indicators for the scheme are included in Annex A and show overall good performance.

Trust Liaison Officers

Members of the Board highlighted the good service being provided by the Trust Liaison Officers, in particular the well-received information sessions and one to one member consultations.

7. Board Member Training

Future Plans

No significant member training was undertaken throughout the reporting year, however at the January 2019 meeting Board members agreed to hold a business planning day on 8 May 2019 which would focus primarily on development of a strategic plan, Board Member training and a review of the Risk Register.

Board Members received an invitation to a Public Sector Pensions Conference on the 3 April 2019 in the Titanic Quarter

8. Breaches of Law

No Breaches of Law were reported during the period of this report.

9. Internal Disputes / Pension Ombudsman

Throughout the course of the year HSC Pension Service received five Internal Dispute Resolution applications all of which were declined. Two cases related to the award of Mental Health Officer (MHO) status, one related to a pension calculation query and one related to entitlement to widow's pension.

Two cases were referred to the Pension Ombudsman, one relating to the award of MHO status which was not upheld and the second in relation to the entitlement to a partner pension which is still under consideration by the Ombudsman.

10. Finance

Total income received by the Scheme during 2018/19 was £532,365k, with total expenditure of £2,021,565k, resulting in net expenditure of £1,489,200k recorded as the outturn for 2018/19 which was within the estimate set for the financial year. There was an actuarial gain of £1.659billion for 2018/19.

Total net liabilities (including pension liabilities) was £24,265,247k. It is considered appropriate to adopt a going concern basis for the preparation of the financial statements, as on a year-to-year basis the Scheme is self-funding as the income received from pension contributions covers the benefits payable. On an overall basis, the future pension liability does not present a going concern issue as the Department is supply financed and draws its funding from the Consolidated Fund therefore there is no liquidity risk in respect of the liabilities due in future years.

11. Forward Work Plan – 2019/20

A Board Business Plan for year 2019/20 was prepared at a Planning day held on 8 May 2019. This was subsequently finalised and issued.

Matters to be addressed in the coming reporting year (2019/20) include: the completion of the training needs analysis and training plan for Board Members; an on-going focus on data accuracy improvement; issues arising from the outcome of the McCloud/Sergeant legal case; a greater focus on financial and audit issues; a more detailed analysis of the risk register and meeting the full members' quorum at meetings.

12. Conclusion

The third full formal year of operation has continued to ensure that the HSC Pension Board is an effective forum to oversee the administration of the HSC Pension Scheme and to provide robust challenge and good governance.

I would like to thank all Members of the HSC Pension Board for their contributions during its third 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 russell.mcgowan@health-ni.gov.uk

David Best

HSC Pension Service

Key Performance Indicators

		% Number of Procedures Within Target
Joiners/rejoiners	<ul style="list-style-type: none"> The BSO shall validate interface details within 15 working days of receipt of the relevant interface data BSO will allocate joiners/rejoiners to correct section of the HSC Pension Scheme 	99%
Correspondence	<ul style="list-style-type: none"> The BSO will acknowledge all ad-hoc correspondence within 15 working days of receipt of all information 	99%
Leavers	<ul style="list-style-type: none"> The BSO will provide members who leave with less than 2 years membership details of options to take either a transfer value or refund of contributions within 12 months of the member leaving. The BSO will refund contributions within 3 months of receiving the application The BSO will preserve benefits 132 months after the date any member with at least 2 years membership leaves the Scheme 	99%
Transfers In:	<ul style="list-style-type: none"> The BSO shall acknowledge receipt of Member's request for transfer value within 15 working days, once in receipt of all relevant information. The BSO will issue request for transfer value to sending scheme within 15 days of receiving member's request The BSO shall send a reminder to the sending scheme after 60 days with further reminders at regular intervals The BSO shall process transfer amount within 15 working days of receipt of members instruction to transfer their rights 	99%
Transfers Out	<ul style="list-style-type: none"> The BSO shall acknowledge receipt of instruction from Member's pension scheme within 15 working days once in receipt of all relevant information The BSO shall provide a transfer quote within 8 weeks of receiving the request once in receipt of all relevant information 	99%

	<p>(quote guaranteed for 3 months)</p> <ul style="list-style-type: none"> The BSO shall complete the transfer within 20 working days of receiving the member's instruction to transfer their rights 	
Additional Pension/Half cost Added Years/ERRBO's	<ul style="list-style-type: none"> The BSO shall issue estimate of costs to Members within 15 working days of receipt of request once in receipt of all relevant information The BSO shall send notification for payroll deduction within 20 working days of receipt of the appropriate authority. The BSO will send confirmation of correspondence to scheme member on completion of additional pension request. 	99%
Death In- Service/preserved/Retired member	<ul style="list-style-type: none"> The BSO shall calculate and issue award details within 15 working days of receipt of the application and all relevant documents. 	99%
Age Retirement	<ul style="list-style-type: none"> The BSO shall calculate and issue final award details on receipt of the fully completed application for payment of award and at least 1 week prior to pension start date where all relevant information has been received 	99%
Ill-Health retirement	<ul style="list-style-type: none"> The BSO shall refer the application to its Medical Adviser within 5 working days The BSO shall notify employer/member whether ill health criteria have been met within 5 days of receipt of Medical Adviser's advice The BSO shall calculate and issue award details on receipt of the fully completed application for payment of award and at least 1 week before pension start date where all relevant information has been received 	99%
Early Retirement	<ul style="list-style-type: none"> The BSO shall calculate and issue final award details on receipt of the fully completed application for payment of award. And at least 1 week before pension start date where all relevant information has been received 	99%
Cash Equivalent Transfer Values for Divorce or Separation purposes (CETV's)	<ul style="list-style-type: none"> The BSO acknowledge receipt of request within 15 working days. The BSO will calculate and issue CETV within statutory time limit of 3 months from date all relevant information received. The BSO shall send confirmation of correspondence to scheme member on completion of CETV. 	99%
Injury Benefit	<ul style="list-style-type: none"> The BSO will calculate and issue award details within 20 working days of receipt of all required information. 	100%
Pension Sharing Orders	<ul style="list-style-type: none"> The BSO will acknowledge receipt within 15 working days. The BSO will calculate and issue revised statements for both Debit and Credit 	100%

	<p>Member as at valuation date (as defined in Welfare Reform and Pensions Act 1999) of pension sharing order within statutory time limit of 4 months from valuation date.</p> <ul style="list-style-type: none"> The BSO shall send confirmation of correspondence to scheme member / credit member on completion of Pension Sharing Order 	
Annual Benefit Statements	<ul style="list-style-type: none"> The BSO will issue Members an annual benefit statement, based on data as at 31 March, and deferred Members every 5 years. 	Due by October 2016
Benefit Estimates	<ul style="list-style-type: none"> The BSO will provide an estimate of benefits for members within 20 working days of receipt of a request, provided they have not received an annual benefit statement or been provided with an estimate in the previous 12 months. 	99%
Payroll Administration	<p>The BSO will:</p> <ul style="list-style-type: none"> Pay all existing pensions on due date Ensure 100% of existing pensions are correct at point of payment based on the information we receive Ensure 100% of new pension awards are correct at point of payment based on the information we receive Pay the lump sum into new pensioner's or dependant's accounts by the end of the week following their retirement where all relevant information has been received. Pay the first pension payment into new pensioners and dependants accounts by the end of the month following retirement / death where all relevant information has been received. Issue P60's annually and within statutory deadlines Apply pension increases on an annual basis in accordance with HMT guidelines Issue a Pay advice note to existing pensioners in any month with a variance of £5 net. Issue a pay advice note to new pensioners Ensure GMP is applied on time and accurately in accordance with Statutory Regulations Monitor debits and credits to the Scheme account to ensure payroll transactions are complete, accurate and validated. Collect employer and employee contributions from GP practices and Direction bodies within timely and relevant timescales and ensure the completeness and accuracy of these Recover early retirement and Injury Benefit costs from employers in accordance with legislation 	100%

