

Health and Social Care Pension Board

Annual Report

Year ended 31 March 2020

June 2020

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Annex A – HSC Pension Service – Key Performance Indicators

1. Introduction

This is the fourth 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 second year as Independent Chair of the HSC Pension Board.

The HSC Pension Board met three times during the 2019/20 years with meetings being held on 8 May 2019, 2 October 2019 and the 16 January 2020. The fourth meeting planned early in April 2020 was cancelled as a result of the Covid-19 circumstances. However, BSO were able to keep Board members informed of the effectiveness of the Pension Service between the January and June 2020 Board meetings. None of the meetings met the quorate number of eight.

The Board were able to meet most of its performance targets as detailed in the 2019/20 business plan. The Pension Service (provided by the Business Service Organisation (BSO)) continued to provide a quality service.

HSC Pension Service confirmed that an additional 9 staff are now in place to deal with pension data/payroll issues. This development was welcomed by the Board.

The remedy to the McCloud judgement has not yet been confirmed or agreed. It is expected to be the subject of consultation in the next reporting year. Depending on the outcome there could be significant implications for the Pension Scheme.

The Employment Liaison Officers continue to 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 and Employers’ concern that high earners were are leaving the scheme early, mainly due to Annual Allowance and Lifetime Allowance limits rates has been largely addressed by an increase of £90,000 to the tapered Annual Allowance thresholds announced in the March 2020 budget.

The scheme Manager reported that there had been a growth in active members mainly due to the effects of auto enrolment and increased pension awareness by staff. Membership across all cohorts now totals more than 131,000.

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 2020/21.

The Board finalised its Business Plan for 2019/20 at a business planning day in May 2019 and initiated the preparation of a training plan for members. At that meeting the Chair of the Teachers' Pension Board outlined various issues being addressed by their Board members, and the event proved to be a useful forum for sharing experiences of the two Pension Boards.

Minutes of Board meetings for this reporting year and the Business Plan for 2020/21 can be found on the HSC Pension Service website www.hscpensions.hscni.net under the heading 'Pension Board'.

The recommendations of the recent Pension Board internal audit were considered by the Department of Health and the Pension's Board. Issues identified included: an up-to-date terms of reference for the Board, the quorum at Board meetings, and members training needs.

A Training Needs Assessment of Board members was progressed during the year and a training log for each member was introduced to detail any pensions related training each receive.

Matters to be addressed in the coming financial year (2020/21) include: an on-going focus on data accuracy improvement; issues arising from the outcome of the McCloud/Sergeant legal case; a more detailed analysis of the risk register; meeting the full members' quorum at meetings; and training for Board members.

I would express my appreciation to BSO staff for the quality and timeliness of pension services provided during the 2019/20 year.

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 2019 employers pay a contribution rate of 22.5%.

4. HSC Pension Board – Membership

Two-thirds of the voting members of the HSC Pension Board represent a quorum (8) for Board meetings to go ahead. The Chair must be present for meetings to be quorate.

Independent Chair: David Best

Employer representatives included:

Noleen McCreanor	South Eastern HSC Trust
Maryna Chambers	Northern HSC Trust
Cara McLaughlin	Western HSC Trust
Catherine Shannon	Belfast HSC Trust
Alan Stout	NIGPC
Andrea Henderson	South Eastern HSC Trust

Member Representatives included:

Kevin McAdam	UNITE
Roberta Magee	UNISON
Maria Morgan	NIPSA
Desmond Lowry	RCN
Mary Caddell	RCM
Dr Padhriac Conneally	BMA

Attendance Record of Board Members

Meeting Date	8 May 2019	2 October 2019	16 January 2020
David Best (Chair)	✓	✓	✓
Noleen McCreanor	✓	✓	✓
Cara McLaughlin	✓	✓	
Catherine Shannon <i>(joined 21/8/19)</i>			
Maryna Chambers	✓	✓	✓
Alan Stout			
Andrea Henderson		✓	✓
Kevin McAdam			✓
Roberta Magee	✓		
Maria Morgan			
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 – Business Plan Progress Report

At the October 2019 meeting it was agreed that a progress report, focusing on the performance indicators at section 5 of the Pension Board Business Plan, should be considered and agreed by Board members at each meeting. The progress report for for period ending 31/12/2019 was agreed by the Board at the January 2020 meeting. The next progress report will be considered at the June 2020 meeting as meeting scheduled for April 2020 was cancelled.

In addition to the performance indicators in section 5 of the Business Plan, the Board also considers a number of standing agenda items that have been 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
- Risk Register
- Scheme Valuation
- Recent legislative changes

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

Conflicts of Interest

No conflict of interests were declared throughout the course of the reporting year. Members have also completed a Register of Interests.

Scheme Manager's Report / Data Improvement

In April 2019 HSC Pension Service recruited an additional 9 staff to deal with pension/payroll data issues.

The scheme manager reported at the January 2020 meeting the only significant data issue covering 280,000 data records, was missing post codes for deferred members, which would be rectified once a new pension event has been triggered. Scheme manager confirmed there is no impact regarding missing post code details. As January scheme manager report states, HSC staff update records when a pension event is triggered

Risk Register

The key risks for the Board were agreed at the business planning day on the 8 May 2019 which were:

- Inaccurate data
- Adequacy and use of resources
- Knowledge and understanding of Board members and
- McCloud Remedy

- The impact of the Pensions Scheme on ‘high earners’
- Over and under payments of contributions and receipts
- Reporting breaches of the law

Scheme Valuation / McCloud Judgement

Board members were kept apprised of the work of the Scheme Advisory Board (SAB) in particular, the likely impact of the McCloud court ruling. Members were informed that the UK government has agreed to develop proposals to address the unlawful age discrimination identified by the McCloud ruling. Pension policy colleagues have agreed to keep Board members fully informed as remedy proposals are considered by SAB.

Members were informed due to the uncertainty regarding the McCloud remedy, HMT had directed that all work on rectifying the cost cap breach identified in the draft 2016 scheme valuation, has been paused.

Recent Legislative changes

Statutory Rule S.R. 2019 No.62 introduced a new employer contribution rate of 22.5% from 1 April 2019.

Annual Allowance Tax Charges

HSC Employers and the Board had raised concerns that high earning employees were leaving the pension scheme due to tax charges resulting from the tapered annual allowance limits, which was impacting negatively on service delivery and could also have implications for the pension scheme if large numbers continued to opt out. This issue was largely resolved by HMT increasing the tapered annual allowance limits by £90,000 as announced in the March 2020 budget.

Key Performance Indicators (KPI)

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

7. Board Member Training

Several Board members attended the public pensions conference in the Titanic Quarter in April 2019.

At the January 2020 meeting colleagues from DoH Finance Branch provided Board members with a high level overview of the pension scheme accounts.

During the year the Independent Chair of the Teachers Pension Scheme provided an update on topical issues facing their pensions Scheme.

It was agreed that further training in Risk Management should be provided during 2020/21.

Members also agreed to complete a training needs analysis and a member training log to establish the experience and pension knowledge of board members. A training plan will be developed during the 2020/21.

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 seven Internal Dispute Resolution applications, these were mostly cases where members were seeking the award of Mental Health Officer status (MHO), five of which were declined and two were successful, resulting in the retrospective award of MHO status.

Three cases were referred to the Pension Ombudsman, two relating to the award of survivor benefits and one relating to death in service benefits. All cases against the HSC Pension Service were dismissed by the Ombudsman, although in one case a complaint against the HSC employer was upheld.

Two complaints were received from senior health staff regarding the provision of timely and accurate information to Scheme members in order for them to manage their pension tax liabilities. The Department asked the Board to consider the matter.

The Board indicated they were satisfied that all the required information in regulations was being provided to the HSC Pensions Service to enable them to process the required information for scheme members. However, the Pension Service had agreed to go beyond normal requirements, and make information available to members online that would be backdated for a 6-year period, and that a team had been put in place to specifically deal with this issue.

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 – 2020/21

A Board Business Plan for year 2020/21 will be the main focus of the June 2020 Board meeting as the April 2020 meeting was cancelled due to covid-19. The Business Plan will include key performance indicators which will be the basis of the Board's forward work plan for 2020/21.

Matters to be addressed in the coming financial year (2020/21) include: an on-going focus on data accuracy improvement; issues arising from the outcome of the McCloud/Sergeant legal case; a more detailed analysis of the risk register; meeting the full members' quorum at meetings; and training for Board members

12. Conclusion

The fourth 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. I would also express my appreciation to the BSO for providing an effective pensions Service. In particular, for maintaining service standards during the Covid-19 period from March to June 2020.

Any queries on the content of this report should be sent in the first instance to russell.mcgowan@health-ni.gov.uk

David Best

Independent Chair

Health & Social Care Pensions Board

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 (quote guaranteed for 3 months) • The BSO shall complete the transfer within 20 working days of receiving the member's instruction to transfer their 	99%

	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 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. 	100%

	<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%