

**SCOTTISH PUBLIC PENSIONS AGENCY
MINUTES OF THE EXTERNAL MANAGEMENT BOARD MEETING HELD AT
13:30 HOURS ON 23 OCTOBER 2012 AT TWEEDBANK**

In attendance:

James Taylor	Chair
Julia Edey	Non-executive Director
Alex Smith	Non-executive Director
Neville Mackay	SPPA Chief Executive
Pamela Brown	Director of Operations
Marion Chapman	Director of Corporate Services
Chad Dawtry	Director of Policy
Chris Fenton	Director of Finance
John Simmonds	CEM Benchmarking (item 7 only)
Lila Tereszczyn	Minutes

1. Apologies and introduction.

1.1 Mr Taylor welcomed everyone to the meeting.

1.2 Apologies were received from Alyson Stafford and Colin MacLean. The External Management Board agreed to re-arrange the agenda items to accommodate Mr Simmonds' presentation.

2. Minutes of last meeting and matters arising (paper 32.2)

2.1 The minutes of the previous meeting on 31 July 2012 were agreed subject to minor amendments.

2.2 The summary of the action points was addressed.

2.3 5.4 Budget revisions - Mr Fenton advised that this would be covered separately under the Agency finance report - ref to para 6.1.

2.4 10.2 Agency Framework Document amendment to Annex D - Mr Mackay confirmed that the additional note had been added to the Agency Framework Document Annex D Terms of Reference.

2.5 11.1 Mr Dawtry would provide an update separately under paper 32.7- ref to para 8.1

2.3 Mrs Edey asked whether there was a timeframe for completing the work designed to mitigate the risk of scheme members erroneously receiving a duplicate pension payment. Mr Mackay explained that the technical elements of the work should be completed by the end of November. He had been asked by the Director General of Finance to keep her and the Audit and Risk Committee and/or the Board informed of progress, and he would report further on this at future meetings.

3. Benchmarking of SPPA Operational Services/CEM Presentation (paper 32.8)

3.1 Mrs Brown reported on the Agency's continued participation in the CEM Benchmarking exercise. This was the third annual report provided by CEM on how the Agency core service compared with similar peer organisations both in the UK and abroad.

3.2 Mr Simmonds from CEM Benchmarking expressed his thanks to Mrs Brown and the team in providing the data to populate his report. He talked through the main findings of the Executive Summary and drew the Board's attention to a number of issues arising.

3.3 Mrs Edey noted that data had been provided for the past three years and suggested that in going forward it would be helpful to have a trend comparison recorded. Mr Simmonds explained that the report was already redesigned for next year to take this into account.

3.4 Mr Mackay explained that the report was one of a series of external benchmarking exercises conducted by the Agency, including IIP and the customer survey. Collectively, they provided objective external validation of the Agency's performance to be made. Rather than identify action plans arising from each of these exercises, the Agency would be developing a more integrated set of recommended actions arising from all the external benchmarking surveys, and would be bringing a further report on this to the Board for consideration in the New Year.

3.5 The Board expressed their thanks to Mr Simmonds for this presentation which they regarded as an important source of evidence for assessing the Agency's performance.

4. Audit & Risk Committee Report (paper 32.3)

4.1 The Board were content with the draft Audit and Risk Committee minutes subject to a small number of minor amendments which would be taken forward to the next Audit and Risk Committee meeting.

4.2 Mr Smith, as Chair of the Audit and Risk Committee, asked that the External Management Board recommend that Mr Mackay, as Accountable Officer, sign the scheme accounts. The External Management Board were content to do so.

4.3 Mr Smith explained that the Audit and risk committee had given serious consideration to the Audit Scotland Report on managing ICT projects. It was important that the Audit and Risk Committee and the External Management Board were engaged in discussion about future ICT development within the Agency. Mrs Brown had therefore agreed to report on an initial assessment of the options for introducing ICT changes to deliver the new pension reforms at the next Audit and Risk Committee meeting in February 2013. Mr Mackay added that the SG would

shortly be writing to Agency Chief Executives setting out their response to the Audit Scotland report. [note: a letter from Paul Gray was subsequently received on 1 November].

4.4 Mr Smith queried the score accorded in the risk register to the residual risk associated with risk 4 (inability to respond adequately to the pension reform agenda). Mr Mackay said that the score reflected the current perception of the level of risk but that this would be reassessed (alongside all the other risks) as part of the quarterly risk assessment carried out by the Agency's senior management team. The outcome of that discussion would be reflected in the risk register brought before the next Audit and Risk Committee and meeting on 5 February 2013.

5. Agency Progress Report (incl. Q2 progress against Agency and Directorate Business Plan Targets) (paper 32.4)

5.1 Mr Mackay drew the Board's attention to the imminent retirement of Colin MacLean in February 2013. His replacement would be Eleanor Emberson, former Chief Executive of the Scottish Courts Service. He suggested that he might discuss with Ms Emberson whether she would be available to attend either or both of the planned Board awayday and the next External Management Board meeting on 5 February 2013. The Board agreed with this proposal.

5.2 Mr Mackay then drew the Board's attention to the outcome of a recent SMT discussion about the agency's key business plan tasks. It had been decided to add a further 5 tasks to the list of key tasks for 2012-13. This reflected the emergence of new activities and priorities which had not been readily apparent when the business plan was originally put together in March. The SMT had now agreed that the plan should be crystallised for the remainder of the year and that future corporate reporting would be against the list of 30 key business tasks. The board then noted the progress that had been made to date against each target.

5.3 Mr Mackay then drew attention to an additional layer of information which was contained in his report for the first time. This concerned the assessment of progress against each Directorate's list of agreed service standards. He noted that overall progress was satisfactory, although in some cases either the means of measuring performance had still to be finalised or, in a couple of cases, a target was pre-destined not to be met because of definitional issues associated with the way in which the target was expressed. These would be rectified as part of the 2013-14 business planning process.

5.4 The Board discussed the new information and concluded that it provided a helpful additional layer of information about the Agency's business performance. They asked to continue to receive such reports in the future.

5.5 Turning to other issues contained in the round-up report, Mrs Edey noted that the member on-line benefit statements had now been live since March 2012 and asked whether we were pleased or disappointed with the number of people who had signed up to the online service. Mrs Brown explained that the number of people who had signed up to receive the service had exceeded the industry norm, and that this number would increase further during the year as a result of further communication

to members about the service, which would be channelled via employers and the SPPA website. .

5.6 Mrs Edey then referred to the Quality Assurance report where it was reported that there was a fall in the 23% error rate for pension sharing on divorce (PSOD) cases. She asked if this level of rate was too high. Mrs Brown explained that that this was the error rate identified by the internal checking process. The complexity of PSOD cases meant that the error checking process tended to be more robust than in other areas of business. The number of errors impacting directly on the customer was significantly lower.

5.7 Mr Mackay advised that the Agency was in the process of recruiting a procurement manager. This was in an attempt to reduce the business risks associated with procurement and contract management. Until such time as the recruitment was concluded, a formally qualified procurement professional within the policy directorate was providing strategic advice on procurement issues.

5.8 The Board expressed their deepest sympathy at the passing of Stephanie McGlasson, a member of the NHS Service team in September, extending their condolences to her husband, family and work colleagues.

5.11 Mr Mackay also reported that Joyce Roberts, who had served as the SG observer on the Agency's Audit Committee in the past, had sadly passed away during the previous week. The Board expressed their condolences to family and work colleagues.

6. Agency Finance Report (paper 32.5)

6.1 Mr Fenton presented the financial position of the pension schemes, the Agency's finances, and capital expenditure. The Schemes' budgets had recently been revised as part of the Scottish government's autumn budget review (ABR); projected outturns were identical to the revised budget for the year.

6.2 Mr Fenton reported that outstanding debt arising from overpayments amounted to £1.43 million of which £0.6 million was being recovered by instalment. The average debtor days was computed at 153 (target 180 days) after adjustment for balances being recovered by instalment. The current total debt written off for this year was £77k (£130k for the whole of the previous financial year).

6.3 Mr Fenton then reported on the Agency's running cost budget. There was an under spend on salaries but this was likely to be offset by early retirement and recruitment costs. Variances were recorded for other administration costs, including postage, training activity, actuarial services and IT maintenance. The forecasts to 31 March was revised accordingly.

6.4 Mr Fenton noted that the current capital budget stood at £450k, with current financial projections close to budget. The Agency's capital programme, which included the employers' contributions web development, the pensioner web development and IT infrastructure enhancements, was on track. However, the

agency would seek to identify whether any under spends might occur well before the end of the year. If so, these would be passed back to the SG.

6.5 Mr Mackay noted that the actuarial budget had been set to include costs associated with pension reform although it was not known what the actuarial costs of the pension reform agenda would be. However a commitment had been provided by Scottish Government's Pension Reform Programme Board to fund additional costs up to £1m.

7. Pension Reform Update (paper 32.6)

7.1 Mr Dawtry provided the Board with an update on developments in the pension reform agenda at a UK level and in Scotland. The Board discussed the recent significant developments, the way in which they were being handled by the Scottish Government, the way in which the main business risks were being mitigated, and the implications on the Agency's workloads over the next 12-18 months. The Board expressed concern at the amount of time it was taking to reach critical business decisions and the risks this posed to the agency's delivery timetable. They asked to be kept closely involved as the agenda progressed.

8. Public Sector Reform Bill (paper 32.7)

8.1 Mr Dawtry reported on the current position on the UK Government's Public Services Pensions Bill, the anticipated timetable and the main provisions of the Bill. The Board also discussed the way in which the Bill was likely to impact on new Board governance arrangements. It was agreed in principle that the Agency should seek to pre-empt some of the likely governance changes wherever possible, provided it did not require the Agency to comply with a full blown board recruitment process. Mr Mackay said he would discuss the range of options available with the head of the SG public bodies unit, and report back.

8.2 Mr Mackay also advised that he was arranging a meeting with a senior representative of the Pension Regulator, which he hoped would take place in November or December.

9. External Management Board Meeting Planner (paper 32.9)

9.1 The projected dates to 2014 were agreed.

10. Any Other Business

10.1 Mrs Edey asked for papers provided to Board members be sent by secure email exchange. Arrangements would be made for Board members to have secure email exchange functionality installed to decrypt papers.

11. Date of Next Meeting

11.1 The date of the next External Management Board is Tuesday 5 February 2013.