

**SCOTTISH PUBLIC PENSIONS AGENCY  
MINUTES OF THE MANAGEMENT BOARD MEETING HELD ON 29 April 2008  
AT TWEEDBANK**

**In attendance:**

Alyson Stafford	Chair
Julia Edey	Non Executive Director
Alex Smith	Non Executive Director
James Taylor	Non Executive Director
Neville Mackay	SPPA Chief Executive
Ian Clapperton	Director of Operations
Chad Dawtry	Director of PSD
Chris Fenton	Director of Corporate Services
Pamela Lane	Director of IT/BSU
Mark Cockburn	Minutes

**1. Apologies and Introductions**

1.1 Ms Stafford welcomed everyone to the meeting and in particular Chris Fenton who was attending the Management Board as Director of Corporate Services for the first time.

**2. Minutes and Matters Arising**

2.1 The minutes of the previous meeting on 29 January 2008 were agreed.

The summary of action points was addressed:-

2.2 The risk register had been updated to include the NHS Agenda for Change exercise.

2.3 The Agency disaster recovery plan had been further developed. Advice on the plan had been received from Lothian and Borders Police Emergency Planning Officer and a draft version of the plan had been shared with key Agency staff. An unplanned test took place when the IT link to SPPA failed. A further planned test will be undertaken during Q1 and the outcome reported to Management Board in July.

**Action: Ms Lane arrange a test for the Agency disaster recovery plan.**

2.4 HMRC have agreed not to pursue arrears of VAT on the lease of accommodation. It was confirmed that the correct VAT procedures were now being followed.

**3. Progress Report to 31 March 2008**

3.1 Mr Mackay presented the progress report. He advised that of the 22 key tasks in the Agency 2007 – 08 business plan 18 had been achieved, 3 partially achieved and 1 not achieved. This showed that the Agency had set stretching and challenging tasks. Overall progress was very positive.

3.2 Ms Stafford acknowledged the extent of the achievement, and the challenging circumstances.

3.3 Mr Clapperton advised that in respect of the NHS Agenda for Change issues the estimated number of pension revisions (12,000) was based on pension awards since 2004 and was therefore fairly accurate since it was expected that the majority of NHS pensioners retiring since 2004 would benefit from a salary increase through Agenda for Change. He also advised that based on information from the Health Directorate General it was likely that SPPA would receive a further 110,000 (approx) corrections of data as a result of pay arrears. Most would affect active cases and therefore little action would be necessary, other than to correct the data records. However, some (perhaps up to 10,000) would affect transfers and leavers, which might require the Agency to take additional action. The main concern for the Agency remained the 12,000 pension revisions, with the associated problems of recalculation, staff resources and timeliness.

**Action: Mr Clapperton to set out project approach for Agenda for Change exercise for next meeting**

3.4 Mr Smith asked if the Agency received thanks from customers in response to tasks successfully completed. Mr Clapperton advised that the Agency did receive positive feedback and that as part of quality assurance procedures learning points arising from this were passed to teams and included in training. It was agreed that the Agency should explore ways of allowing customers to express positive feedback via e.g. the web site.

3.5 Mr Taylor asked what the expected turnover rate of staff was and if there was any particular reason for the level of turnover. It was explained that this was expected to be around 12% for 2007-08. Half of turnover had been due to promotions and a quarter due to level transfers to Edinburgh. Turnover had been exacerbated by the end of the payment of excess fares for staff who had transferred from Edinburgh. Concerns about the level of turnover were one of the reasons the Agency was looking to develop an HR strategy in 2008. Progress on the HR strategy was to be reported to the next Management Board meeting. Mr Fenton noted that lack of progress on recruiting an HR Strategy Manager could impede progress towards this target.

**Action: Mr Fenton to report progress on HR strategy to next meeting**

Mr Clapperton reported on a number of issues;

#### Mental Health Officer (MHO) transfers

3.6 An exercise was ongoing to repair a number of MHO data records where the level of MHO service transferred into the NHS scheme had been incorrectly recorded. 81% of cases had been examined and it was hoped to finish the exercise by the end of May.

#### NHS Choice

3.7 NHS pension scheme reforms meant that each member would be given the choice during 2008-09 to change to the new pension arrangements if desired. SPPA would write to every member setting out their options. This entailed producing 153,000 choice papers and, where possible, comparative statements. The exercise would be completed in 2009. The

introduction of the new pensions administration system would be critical to the success of this exercise.

3.8 Mr Taylor asked if we knew what percentage of NHS scheme members would choose to change from the old arrangement to the new ones. Mr Clapperton said that, given this would mean opting to retire at 65 years of age rather than 60, the option would be attractive to very few members.

#### Scheme Valuations

3.9 Draft scheme valuation reports had just been received from GAD.

- The NHS report at 2004 recommended that employers' contributions reduce from 14% to 13.5%. This saving was as a result of pension reforms.
- The Teachers' report recommended that employers' contributions rise from 13.5% to 14.9%. This increase was a result of a reduced return on notional investments, pensioners living longer, an increase in ill health retirements reforms to scheme and a shift in data.

3.10 Ms Stafford noted that as the NHS valuation was at 2004 another valuation was now due and asked what the timetable for this was. Mr Clapperton advised that the 2008 NHS valuation would start in April 2009 and Teachers' 2009 in September 2009. The tendering for actuarial services would include time limits on receiving reports.

#### Guaranteed Minimum Pension (GMP)

3.11 Mr Clapperton reported there was an emerging potential issue with the calculation of pension increase in cases with GMP. This was still being scoped.

### **4. Finance Report to 31 March 2008**

4.1 Mr Fenton presented the finance paper for budget and outturn figures for the pensions schemes and Agency for the year to March. He noted that pension debt was mostly a result of continued payments in respect of pensioners who had died, but where notification of death to the Agency had been delayed. £519k was currently outstanding but action was being taken, successfully, to recover these sums.

4.2 He noted that the £275k provision for VAT on lease of the premises was no longer required. The net running cost outturn was within £6,000 of budget. Capital expenditure had been £3.7 million against a budget of £4.44 million, the under-spend being a result of extensions to project milestones.

4.3 Budget increases secured for 2008 – 09 would allow the Agency to address tasks it had not previously been resourced for. These were reflected in the draft Agency Business Plan for 2008-09.

### **5. Audit Committee Report**

5.1 Mr Smith reported the outcome of the Audit Committee meeting which was held on 15 April 2008. Amendments to the minutes were discussed, including a clarification of the

IFRS adoption timetable. It was agreed the Audit Committee would take its lead from reports produced by Audit Scotland and Internal Audit.

5.2 Ms Stafford advised that the Scottish Government was developing a handbook for audit committees.

5.3 Mr Taylor asked to what extent the Agency was obliged to use services provided in-house by the Scottish Government, in preference to outside service-providers. Ms Stafford advised that there should be a spirit of shared services but situations would arise where it would be the best option for the Agency to seek advice from non-governmental sources.

## **6. Pension Change Project (13.6)**

6.1 Ms Lane provided an update on the progress made on the project since the last Management Board meeting. The key area was the payroll interface. It had become apparent that the interface was not going to be ready on time and after reviewing the options the Project Board had decided to postpone the go-live dates to 16 September 2008 for Teachers, and 2 December 2008 for NHS.

6.2 The process for communicating to customers the change in timing was discussed.

6.3 Ms Stafford asked what confidence there was that the go-live dates would be met. As Haywood had already made tangible progress and the new timetable would allow more robust testing, Ms Lane was confident that SPPA would meet the revised go-live dates. However, some aspects of the project were technically challenging and so it was not possible to give absolute or unqualified assurances.

6.4 Mr Smith asked if the estimated £60k per month additional costs resulting from the delay would cause the Agency problems. Ms Lane advised that this would be absorbed by the project contingency budget.

## **7. Corporate Plan**

7.1 Mr Mackay presented the corporate plan, bringing to the Board's attention the added section on strategic alignment. There were some improvements to the key targets. It was hoped that these would be agreed by the minister on 30 April 2008.

7.2 Mr Taylor asked if the increase in the target for collection of contributions was a reflection of improvements in this area. Mr Mackay advised it was, and while achievable, still reasonably stretching.

7.3 The EMB agreed that it was content to recommend the new Corporate Plan to the Minister.

## **8. Business Plan 2008 - 09**

8.1 Mr Mackay presented the Business Plan and highlighted the number of new tasks. The budget was based on the assumption that the Agency would receive additional amounts of £180k for the NHS Choice exercise and £180k for the NHS Agenda for Change exercise. The staff complement would grow to 238 from 213 in 2007–08. Much of this increase would

go to Operations, but elements would enable the Agency to accomplish other tasks such as developing corporate communications.

8.2 Ms Stafford asked how this would be communicated to staff. Mr Mackay advised that the plan would be communicated in a series of presentations to staff. Each area in SPPA had its own more detailed plan.

8.3 Mr Mackay asked that the Management Board agree the Corporate Plan and Business Plan 2008 – 09, subject to Ministerial approval. This was agreed.

## 9. Framework Document

9.1 Mr Mackay presented the framework document, which had been amended in light of suggestions by the audit committee to include the remits of the audit committee and the external management board. SPPA was still waiting for advice from Scottish Government on financial delegations.

9.2 Ms Stafford advised that the Scottish Government had created a new Directorate-General for Finance and Corporate Services. SPPA would in due course transfer to this but Ms Stafford would remain the Fraser figure. The newly- appointed Director General was Stella Manzie. Mr Mackay agreed to report to the Board later in the year with any resulting amendments to the Framework Document.

**Action: Mr Mackay to come back to the Board later in the year to with any necessary amendments to the Framework Document.**

## 10 Restrictions on Fuel

10.1 Ms Stafford asked if the Agency had experienced any difficulties with restrictions on fuel. It was agreed there had been no difficulties and that this type of issue was factored into the current version of the Disaster Contingency Plan, which would be subject to further testing.

## 11. Local Government Pension scheme

Mr Dawtry gave an update on the Local Government pension scheme. SPPA was working with employers to make sure the options exercise was done properly.

## 12. Date of Next Meeting 29 July 2008

### Summary of Action Points

Action Point	Paragraph	Responsible Officer
Arrange a test for the Agency disaster recovery plan.	2.3	Ms Lane
Lay out project approach for Agenda for Change exercise for next meeting.	3.3	Mr Clapperton
Report progress on HR strategy to next meeting	3.5	Mr Fenton
Report to the Board later in the year to with the necessary amendments to the Framework Document.	10.2	Mr Mackay

