

# Civil Service Pension Board Annual Report

**1<sup>st</sup> April 2019 to 31<sup>st</sup> March 2020**



*Figure 1 Civil Service Pension Board and Scheme Manager representation March 2020*

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# 1. CSPB Non-Executive Chair Statement - Margaret Edwards



Welcome to the Civil Service Pension Board (CSPB) Annual Report for the 2019/20 year. This is the fourth report that we have published and covers my third full year in the role as CSPB Chair. I am really pleased to report that I have been reappointed as chair to the CSPB for a further three years up to September 2022. I enjoy chairing this board so look forward to continuing in this role of assisting the Scheme Manager in managing the administration and governance of the pension scheme arrangements.

The Board meets on a quarterly basis (and more frequently if need be). The purpose of the meetings is to gain assurance that all the necessary scheme governance structures are in place and operating effectively within statutory guidelines. Furthermore to gain assurance that all scheme members are being efficiently and effectively served by the scheme administrators. In doing this we have to understand the challenges the scheme manager may be facing and to actively assist with working through issues and exploring solutions.

During the year we operated two subgroups which gave us invaluable support in fully understanding and addressing administration performance issues, member communication strategy and the new Mastertrust arrangements.

It has certainly been a busy and successful year for the Pension Board. The Board has reviewed its effectiveness to make sure that we are meeting standards set by the Pensions Regulator as well as assisting and challenging the scheme manager in an appropriate informed way.

Our Board members come from a wide range of backgrounds and bring a depth of knowledge and skills and professional pension experience to the CSPB. They represent the interests of all scheme members and we have access to suitably qualified and experienced scheme manager pension team members who attend meetings as required. Knowledge is further enhanced by board members accessing the Pensions Regulator's (tPR) public service toolkit and other relevant pensions training each year. I would very much like to thank all my board colleagues for their attendance and valuable contribution at all our meetings and engagement has again been very good around the table during the past 12 months.

I am keen to understand the external support networks that members can access and how other pension boards operate and tackle similar issues. I therefore have regular meetings with the Civil Service Pensioners' Alliance General Secretary and group meetings with three other public service pension board chairs.

I would welcome any feedback or comments on the work of the board, this report and the content of our website.

I would like to thank all of those involved in making the CSPB a success this year and look forward to 2020/21.

**Margaret Edwards**  
**Non-Executive Chair,**  
**Civil Service Pension Board**

## 2. Introduction

The CSPB is a statutory requirement under Section 5(2) of the Public Service Pensions Act 2013. The 2013 Act requires the provision of a pension board to be incorporated in the scheme rules; this requirement is covered by regulations 6 to 9 of the Public Service (Civil Service and Others) Pensions Regulations 2014. The CSPB was originally formed in 2010 but was established in its current form in April 2015 to fulfil the statutory requirement.

The CSPB has the responsibility of “assisting the Scheme Manager” in managing the Civil Service pension scheme arrangements and securing compliance with legislation relating to the governance and administration of the arrangements, including any other statutory pension schemes connected to it. Central to this is the need to work within the guidance issued by The Pensions Regulator for Public Service Pension Schemes.

In accordance with the [Terms of Reference](#) for the Pension Board, the Board reports annually on its work, providing assurance of the scheme management and the effective administration of the scheme. This annual report provides a brief summary of its work during the period 1 April 2019 to 31 March 2020 as well as a forward look to the next year.

## 3. The CSPB’s purpose and function

The Civil Service pension arrangements represent the third biggest occupational pension scheme in the UK with around 1.5 million members and involving nearly 400 employers. The Civil Service pension arrangements include both Defined Benefit (DB) and Defined Contribution (DC) arrangements and the CSPB has an important role to play in the successful administration of both.

This year, a full review and audit of the CSPB policies, secretariat processes and Board documentation was carried out as well as the completion of a Board self-assessment exercise.

The CSPB meets quarterly but may call extraordinary meetings if there is the need to do so. Up to the date of this report we operated two main subgroups the: Defined Benefit and Delivery (DBD) subgroup and the Employer and Defined Contribution (EDC) subgroup. These groups reported into the main Board. In March, after a review of the subgroups, a decision was taken to suspend these groups in favour of the use of ad hoc working groups to address issues as they arise.

The CSPB’s principal function is to promote high standards of administration for the Civil Service pension arrangements. It does this through advising, influencing, challenging and assisting the Scheme Manager in the delivery of

these arrangements. Its interests are with the Civil Service Pension Scheme administration and governance, not policy or scheme rule matters. [MyCSP Limited](#) carries out the administration of the arrangements for the Defined Benefits schemes. The Legal & General Mastertrust is responsible for the administration and investment of the Defined Contribution (DC) arrangements. Both providers operate under contract to the Cabinet Office, the contractual arrangements are overseen by a Contract Management team within the Cabinet Office.

Legal & General were appointed as the provider of choice for the Civil Service Defined Contributions arrangements in 2018 with the transfer of DC members' funds to the Legal & General Mastertrust being completed in 2019. This year has been the first year of full administration by Legal & General which has been reported as effective to the CSPB. A contributory factor for switching to a master trust arrangement was the reduced rate of charges and that responsibility for the governance and management of assets now rest with the Mastertrust trustees.

## **4. CSPB 2019/20 Focus**

### **CSPB Meetings**

During the period covered by this annual report, the Civil Service Pension Board met on the following dates:

- *12th June 2019*
- *18th September 2019*
- *11th December 2019*
- *10th March 2020.*

The quarterly meetings follow a standard format, the agenda typically includes items such as;

- Chair update and CSPB housekeeping
- Scheme Manager update
- Service Delivery and Maintenance of Data for DB and DC third party administrators
- Information to Members and Communications
- Employer Engagement
- Managing Risk and Internal Controls
- Commercial –contractual matters including performance
- 2015 Scheme -Transitional Protection challenge- Impact of McCloud judgment and the way forward
- GIAA update on internal audits

The Board and subgroup meetings are well attended, with informed input and challenge from all Board members based on papers, presentations and data

provided by the Scheme Manager and third party administrators. We invited external stakeholders to Board meetings during the year such as the Pensions Regulator, commercial partners and the Civil Service Pensioners' Alliance. The main activities the Board has become engaged with in order to assist with wider thinking and to keep focus on the right member outcome in strategy and solution planning are:

**Commercial Activity:** The current contract with MyCSP Ltd to administer the Civil Service Pension arrangements is due to end in December 2021. The Board has monitored and considered the Scheme Manager's plans and provided significant input to what the future services model for CS pensions will look like. The Board considers a future administration model will need to incorporate continuous improvement, value for money and affordability whilst keeping the member experience as the priority.

**Data Improvement Programme:** The two year active member data cleanse project launched on 30th October 2017 has been a success. The original target was to cleanse 80% of 1.2 million Data Validation Failures for 332,000 members. The results show an overall project clearance in excess of 86%.

CSPB were very interested in this important project and keen that it should be implemented. The Board has received regular updates on the progress and are extremely pleased with the results. CSPB is keen for the data cleanse of the pensioner and deferred members to be carried out in the coming year.

**2015 Remedy Programme:** The impact on scheme administration will be significant, and the Board has taken a keen interest in how this matter will be addressed in terms of planning the service delivery of the remedies to be agreed and to identify and mitigate any risks to the scheme. The Board has also conveyed the importance of providing regular communications about the issue to members that are prompt and informative. Whilst recognising that it is not the role of the CSPB to shape policy changes, they remain interested and engaged on the Remedy plans and Programme, and are given appropriate updates at each meeting.

**DC scheme changes:** The transfer of the collective Defined Contribution membership to the Legal & General Mastertrust for approximately 11,500 members with fund values on transfer totalling almost £1.5 million was completed in 2019. This transition also established an auto enrolment solution for DC benefits. The new services are being closely monitored by the scheme manager and the Board is particularly interested in this development as it offers members improved investment opportunities and lower charges.

**Data protection and cyber- security:** The Board required an understanding and assurance of the scheme's cyber-security arrangements. The Cabinet Office Head of Supplier and Contract Manager Information Assurance was invited to the Board training day in December. The Board was informed of how the security accreditation process for suppliers who handle CS pensions data is carried out. This involves full accreditation annually, which consists of

a continual cycle of testing and reviewing to ensure ISO standards are attained. The Board asked probing questions on the level and type of testing undertaken and were reassured by the answers provided. Last year the Scheme Manager updated all data protection policies and processes to comply with the new General Data Protection Regulation (GDPR), these are reviewed annually and updated as necessary.

**Employer engagement:** The Board has taken a keen interest in how employers engage with members in promoting the scheme and about their scheme compliance obligations.

**Engagement Strategy:** The Board has consistently and actively encouraged improvement to targeted employer and member campaigns which have been taken forward by the administrator in collaboration with the scheme manager's team. The Board was pleased to see how far the engagement journey has come over the last eighteen months and the move to increase the availability of digital channels of communication and the successful introduction of the member portal.

**The Pensions Regulator:** The Board has engaged directly with the Regulator this year inviting a representative to attend a quarterly Board meeting. CS pensions were selected to take part in a pilot scheme for close working with the Regulator which was initially aimed at larger schemes. This is so that the Regulator can identify and spread best practice amongst other schemes, whilst also offering guidance and assistance. The first stage of the Regulator's new strategy was to select four big schemes to review and conducted an in depth review of the governance arrangements of these schemes.

**Internal Audit:** The Board is involved in the internal Scheme Audit strategy each year, ensuring that priority areas are targeted and reviewed. Through Chris Wobschall who is head of GIAA and a CSPB member, the Board is kept well informed of the audit findings, recommendations and implementation of recommendations. GIAA carried out 10 audits over the year and three were given substantial opinions.

In addition, the Board was updated on COVID-19 impact to the scheme activity:

**COVID-19 Response:** The Board received assurance, by way of a letter from Rupert McNeil, the Government Chief People Officer, that the appropriate business continuity plans for administration and scheme manager business had been successfully effected.

And reviewed its effectiveness:

## **Review of Board Effectiveness**

The Board conducted a self- assessment review of its effectiveness this year. Each board member was asked to complete a questionnaire based on a template obtained from the Pensions Regulator, which included questions on:

- Roles and responsibilities
- Governance
- Behaviours
- Board diversity
- Knowledge and understanding

The results showed that there was a good understanding of the role of the Board and its purpose. Knowledge and understanding of some areas of the scheme manager's functions were identified as not being fully understood or informed. Board diversity is an area that also needs to be improved and future Board appointments will strive to address this. An action plan has been drawn up following analysis of the results.

### **Contacting the CSPB**

If you would like more information about the Civil Service Pension Board or have any queries on the content of this report please contact [bspboard@cabinetoffice.gov.uk](mailto:bspboard@cabinetoffice.gov.uk). The CSPB is unable to answer individual enquiries about pension matters - all such questions should be directed to the scheme administrator at:

<https://www.civilservicepensionscheme.org.uk/contact-us/>

## **5. CSPB Membership**

The structure for Public Service pension boards such as the CSPB is set out in the Public Service Pensions Act 2013 and [The Public Service \(Civil Servants and Others\) Pensions Regulations 2014](#).

*The CSPB Membership is made up as follows:*

- Independent Non-Executive Chair - Margaret Edwards was appointed as the Chair of the Civil Service Pension Board (CSPB) from 1<sup>st</sup> October 2017 for a three year period, following an open and fair recruitment process. This appointment was extended for a further three years this year.
- Four employer representatives nominated from across Government Departments by employers – Cabinet Office, Foreign and Commonwealth Office and the Valuation Office Agency.
- Four member representatives nominated from the Trade Union Side to ensure a broad representation of scheme membership – PCS, Prospect and FDA.

- Three non-executive non-voting members drawn from the private sector pensions industry and senior public sector roles.
- Two Ex Officio Members from GIAA and the Cabinet Office

A full list of Board members can be found at **Annex A** and their attendance at Board Meetings during 2019/20 can be found at **Annex B**.

Secretariat function is provided by the Cabinet Office to support the CSPB chair and board members to fulfil their roles, secretariat duties include:

- Arranging and managing the meetings of the CSPB and its sub groups.
- Preparing and commissioning papers for the CSPB meetings.
- Drafting minutes and actions following meetings
- Drafting board policies and reports
- Keeping board records up to date in respect of, conflict of interest management, knowledge and understanding, training, board membership, board effectiveness.
- Arranging induction and annual training events

## 6. CSPB 2020/21 Focus

Looking ahead to next year, the CSPB will be carrying on business as usual, reviewing and refreshing its membership and taking a very keen interest in the 2015 Remedy Programme activity and the future services pension administrator contract discussions and decisions. The background to the 2015 Remedy programme is summarised below.

### 2015 Remedy Programme

The Civil Service had to reform, as a result of the Hutton review of public service pensions. The *Public Service Pensions Act 2013* was drafted to provide a framework for new public service pension scheme arrangements to be introduced from 2015 (2014 for local government). For the Civil Service, this meant the introduction of a new scheme from April 2015 for all new entrants with a staged transition to the new scheme for existing members aged under 50 at 1 April 2012.

In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, as part of the 2015 reforms, gave rise to unlawful discrimination. This is commonly referred to as the McCloud judgment. In response, the Chief Secretary to the Treasury made a written ministerial statement, on 15 July 2019, confirming that, as 'transitional protection' was offered to members of all the main public service pension schemes, the Government believes that the difference in treatment will need to be removed across all those schemes. This creates a large piece of work that all public service schemes need to undertake to provide lawful alternatives and implement remedial action plans. This will be a major project for Civil Service pensions over the next three to four years.

## Annex A – Civil Service Pension Board – Membership during 2019/20.

1.	Margaret Edwards	Non-Executive Independent Chair
2.	Ian Albert	Member nominee – PCS.
3.	David Howdon	Member nominee – FDA
4.	Neil License	Member nominee – PCS
5.	Jayne Beeslee	Member nominee – Prospect – joined the CSPB in September 2019
6.	Mervyn Thomas	Employer nominee, CO
7.	Guy Lester/ Rich Hornby	Ex Officio Member- Rich joined in January 2020 as Chief Financial Officer for the Cabinet Office.
8.	Jonathan Russell	Employer nominee, VOA
9.	Teresa Newell	Employer nominee, FCO left December 2019
10.	Allan Course	Non-Executive Member
11.	Sir Adrian Johns	Non-Executive Member
12.	Lesley Davie	Non-Executive Member
13.	Chris Wobschall	GIAA – Ex Officio Member joined CSPB in April 2019
14.	Debra Soper Dominic Arthur	CO CSHR Chief Operating Officer – Ex Officio Member - Dominic joined in March 2020 As Director of Pensions and Government Recruitment Services.

## Annex B – Civil Service Pension Board – Attendance at quarterly Board Meetings during 2019/20.

Members (attendees)	12 June- 19	18 Sept- 19	11 Dec19	10 Mar 20
Margaret Edwards - Chair	√	√	√	√
Ian Albert –Member representative	√	√	√	√
David Howdon –Member representative	√	√	√	√
Neil License - Member representative			√	
Jayne Beeslee- Member representative	n/a	n/a	√	√
Mervyn Thomas-Employer representative		√		√
Jonathan Russell- Employer representative				√
Teresa Newell- Employer representative	√	√	√	n/a
Guy Lester-Employer representative until December 2019		√	n/a	n/a
Rich Hornby- Employer representative from January 2020	n/a	n/a	n/a	√
Allan Course- Non-executive member	√	√	√	√
Lesley Davie- Non-executive member	√	√	√	√
Sir Adrian Johns-Non-executive member		√		√
Chris Wobschall- Ex-Officio member	√	√		√
Debra Soper - Ex-Officio member	√	√	√	√
Dominic Arthur- Ex-Officio member	n/a	n/a	n/a	√

## Glossary of terms

CO- Cabinet Office

CSPS- Civil Service Pension Scheme

FCO- Foreign and Commonwealth Office

FDA- formerly The Association of First Division Civil Servants Union

GIAA- Government Internal Audit Agency

PCS- Public and Commercial Service Union

TPR- The Pensions Regulator

VOA – Valuation Office Agency.