

**NHS Pension Scheme**  
**Scheme Advisory Board**

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**Annual Report 2015/16**

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## Co-Chair statement

We are pleased to present this report on the work of the NHS Pension Scheme Advisory Board for 2015/16. The board met three times during the year in June, September and December 2015 and made considerable progress through the work plan and responded to pension related issues as they arose.

Membership and attendance have been consistent and we have maintained strong membership from across the NHS with employers and trade unions.

Discussion has been thought provoking and constructive, leading to balanced recommendations on a range of topics. The Board submitted a joint response to *Strengthening the incentive to save: a consultation on pension tax relief*. We discussed and responded to the Department of Health on possible changes to the retire and return provision within the NHS Pension Scheme. Scheme membership and opt out rates have been consistently monitored to capture trends and evaluate the impact of changes to the scheme and to tax legislation. The implementation of the 2015 NHS Pension Scheme was monitored by the group along with the implications of the 2015 Scheme on salary sacrifice arrangements. You can find out more in the work areas section of this report.

In December 2015, Edward Colgan retired from his post as Chief Executive at Somerset Partnership NHS Foundation Trust and from his role as employer-side Co-Chair of SAB. We would like to take this opportunity to formally thank Edward for his considerable contribution to the Board and to wish him a happy and healthy retirement.

As we move into 2016/17, the Board continues to operate during a period of increasing financial constraint and considerable change for the NHS. The announcements made in the Budget 2016 and preparations for the next valuation cycle in 2017 will be key elements of the work plan for the coming year.



**Sue Jacques**  
Co-Chair (employers)  
County Durham and Darlington  
NHS Foundation Trust



**Gerry O'Dwyer**  
Co-Chair (NHS Trade Unions)  
Royal College of Nursing

## **Purpose of the Scheme Advisory Board**

The Board's role is to provide advice to the Responsible Authority (the Secretary of State for Health) on the desirability of changes to the NHS Pension Scheme. The Board operates on the basis that there is an ongoing request for advice from the Responsible Authority.

The Scheme Advisory Board is responsible for:

- providing advice on the desirability of changes to the NHS Pension Scheme
- making recommendations on adjustments to the NHS Pension Scheme in the event that costs breach the employer cost cap
- responding to policy issues and changes to scheme rules.

Meetings are chaired on a rotating basis between the staff side co-Chair and the employer side co-Chair.

The Board reaches decisions by consensus between employer and employee representatives. In the event of the Board failing to reach a consensus, the Responsible Authority will be informed and individual or collective submissions of advice may be made for consideration.

The Scheme Advisory Board met on the following dates during 2015/16:

- 17 June 2015
- 9 September 2015
- 9 December 2015.

A meeting scheduled to take place on 9 March 2016 was cancelled due to industrial action taking place within the NHS. The meeting was rescheduled to take place on 19 April 2016.

## **Work areas 2015/16**

Work during the year has been carried out in line with the Scheme Advisory Board Work Plan 2015/16 which can be found in Appendix B.

Throughout the year, the work plan has been adapted to ensure that the board remains responsive to issues as they arise.

## **The 2015 NHS Pension Scheme**

The 2015 NHS Pension Scheme came into force on 1 April 2015. The Board received regular updates on the implementation of the scheme from scheme administrators, NHS Business Services Authority (NHSBSA).

### **Pension Board**

Members of the Scheme Advisory Board are also members of the engagement and communications sub group of the Pension Board, maintaining links between the two Boards and their respective functions.

### **Total Reward Statements**

Total Reward Statements (TRS) were introduced in 2014. During the year 2 roll out (2015) the Board received progress updates from NHSBSA and provided feedback on processes and communications approaches.

### **Choice 2 and protection opt out exercises**

Choice 2 allowed members of the 1995 Section of the NHS Pension Scheme to move their membership out of the 1995 Section and into the 2008 Section in order to take advantage of a higher accrual rate. The Board received updates from NHSBSA on the process of communicating with members about Choice 2 and the outcomes of the exercise.

The protection opt out exercise allowed members of the 1995 Section with tapered protection to give up their protection and move to the 2015 NHS Pension Scheme sooner than would have automatically been the case. For some members, dependent on personal circumstances and career plans, the 2015 NHS Pension Scheme could provide more flexibility and increased pension benefits upon retirement. The Board again provided advice and feedback to NHSBSA on communications about the option to give up protection.

### **Monitoring of NHS Pension Scheme membership**

The Board receives regular information from NHSBSA as the scheme administrator and from the Department of Health about the number of members leaving the NHS Pension Scheme. This information is monitored to track trends and can be used to assess how changes to regulations or legislation have impacted on member behaviour.

## **Automatic Enrolment and re-enrolment**

The Board received updates from NHS Employers on the requirements of automatic enrolment and discussed how this has impacted employers and pension administration processes.

## **Access**

Board membership includes individuals who are part of the overall review of the impact of Access on the NHS Pension Scheme. Through these members and observers from the Department of Health (DH), the Board have an overview of the progress of the review and can feed in suggestions and recommendations. Work will continue in 2016/17.

## **New Fair Deal**

The Board have an overview of the overall impact on the NHS Pension Scheme of introduction of New Fair Deal. The Board have received updates throughout the year.

## **New State Pension and the end of contracting out**

The introduction of the new State Pension from April 2016 will end contracting out and increase national insurance costs for employers and employees. The Board discussed these implications and wrote to the Secretary of State highlighting the significant financial implications for the NHS and asking for consideration of the affordability to the NHS of the change in the Comprehensive Spending Review (CSR). Following the CSR, it was confirmed that the annual tariff will be increased to offset the costs to NHS organisations.

## **SAB workshop – annual and lifetime allowance changes**

In November 2015, SAB held a workshop on the implications of changes to annual and lifetime allowances, including who may be affected and what employers may need to know in order to support their employees.

## **NHS Pension Scheme communications**

The Board received update reports from NHSBSA on scheme communications throughout the year. The Board provided feedback and advice from employer and member perspective.

## **Review of Scheme accounts**

In September 2015, the Board reviewed the NHS Pension Scheme accounts for 2014/15 as prepared by NHSBSA. This was to provide oversight and assurance. The accounts were reviewed and noted by the Board.

## **Additional Voluntary Contributions (AVCs)**

The Board initial consideration of the use of outside providers of additional voluntary contribution agreements entered into by NHS Pension Scheme members. The review is suspended until a full assessment of the impact of Freedom and Choice, that came into effect April 2015, can be carried out by DH.

## **Salary sacrifice**

The Board reviewed the impact of the 2015 NHS Pension Scheme on salary sacrifice arrangements. The Technical Advisory Group (a sub group of the Board) held a workshop which reported back to the Board. Further work is expected during 2016/17 to explore the implications of the 2016 Budget.

## **Pension tax consultation**

Between 8 July and 30 September 2015, the government ran a consultation called *Strengthening the incentive to save: a consultation on pensions tax relief*. The consultation considered whether changes to the current pension tax arrangements would affect pension savings. The Board submitted a joint response focussing on the areas that are of key consideration for NHS Pension Scheme members and employers.

## **Locum death in service**

Working with advisors from NHSBSA and the Government Actuary's Department, the Board are currently looking at the eligibility of death in service benefits for NHS Pension Scheme members, based on the type of employment. Work is ongoing and this topic will be part of the 2016/17 work plan.

## **Reforming retire and return**

The Board were asked by DH to consider and discuss a number of possible proposals to reform the retire and return flexibility in the NHS Pension Scheme. The Board submitted a response to DH on the proposals, which are being considered by the department.

## **Independent actuary to the Board**

The Co-Chairs were involved in the tender and appointment process for a new independent actuary to the Board. First Actuarial will provide this independent advisory role from 1 May 2016.

## Training

In order to operate successfully, members of the Board have access to training on issues related to the annual work plan.

An annual training plan was established for 2015/16 and all members were undertook a training needs analysis covering the following areas:

- implementation of the 2015 NHS Pension Scheme
- scheme valuations
- protection opt out exercise
- monitoring of scheme membership
- total Reward Statements
- Additional Voluntary Contributions
- salary sacrifice
- automatic enrolment
- New Fair Deal
- Access
- end of contracting out.

Members are responsible for assessing their own training needs and maintaining accurate records of training undertaken.

## Contact Details

If you would like more information on the Board or would like to contact one of the Co-Chairs, please use the following details:

Rachael Green, Programme Lead Pensions and Reward, NHS Employers

Contact number: 0113 306 3000

Email: [pensions@nhsemployers.org](mailto:pensions@nhsemployers.org)

## Appendix A - Membership

The membership of the Scheme Advisory Board is made up of representatives from the following:

### Members

- staff side representatives nominated by the staff side of the NHS Staff Council to ensure a broad representation of scheme membership; for example to include the interests of deferred members and pensioners
- employer representatives from across England and Wales nominated by NHS Employers, that offer the breadth of employer representation for the NHS Pension Scheme; for example to include Foundation Trust and independent provider representation
- scheme administrator (NHS Business Services Authority).

### Observers

- Welsh and Scottish Governments
- Department of Health (England); to include finance, pension policy and advisors

### Actuaries and professional advisors

- Independent Actuary appointed to work with the Board
- Government Actuary's Department
- other professional advisors (e.g. lawyers, auditors) as required.

Tenure of membership remains whilst a member is still employed by the organisation they are representing. Membership for the independent actuary is time limited, as determined by their contract. Members may resign from the Board by writing to the co-Chairs via the secretariat, giving as much notice as possible.

Attendance is expected of members at all meetings; no alternative representation or substitution is allowed. A full list of members of the Scheme Advisory Board as at 31 March 2016 can be found in Appendix A.

## Scheme Advisory Board membership April 2015 - March 2016.

### Members

<b>Name</b>	<b>Organisation</b>
Jan Armstrong	City Hospitals Sunderland NHS Foundation Trust
Rehana Azam	GMB
Gordon Benson	NHS Employers
Andy Blake	British Medical Association
Paul Bromley	Society of Radiographers
Michael Burden (member since 14/07/15)	Croydon Health Services NHS Trust
Edward Colgan (Co-chair until 31/12/15)	Somerset Partnership NHS Foundation Trust
Joanna Cousins (member until 27/05/15)	Peterborough and Stamford Hospitals NHS Foundation Trust
Alan Fox	Unison
Bryan Freake	Unite
Martina Govindraj (Vice Co-chair)	Royal Brompton and Harefield NHS Foundation Trust
Brian Harris	Society of Chiropractors and Podiatrists
Andrea Hester	NHS Employers
Sue Jacques (Co-chair from 18/01/16)	County Durham and Darlington NHS Foundation Trust
Celestine Laporte (Vice Co-chair until 05/11/15)	Unison
Neil Lark	CSP
Geoff Lester	Federation of Clinical Scientists
Amy Leversidge	Royal College of Midwives
David Levy	Tees, Esk and Wear Valleys NHS Foundation Trust
Wallace Mair	British Dental Association
Heather Mawson	The University of Manchester
Philip McEvoy (member until 31/05/15)	GMB
Ann Molyneux (member until 11/02/16)	Countess of Chester Hospital NHS Foundation Trust
Gerry O'Dwyer (Co-chair)	Royal College of Nursing
Colm Porter (Vice Co-chair from 05/11/15)	Unison
Jon Restell	Managers in Partnership
Eddie Saville	Hospital Consultants and Specialists Association
Ray Thomas	Countess of Chester Hospital NHS Foundation Trust
Richard Tompkins	NHS Wales Employers

## Advisors

<b>Name</b>	<b>Organisation</b>
Julie Murphy	NHS Business Services Authority
Theresa Britton (advisor from 15/04/15)	NHS Business Services Authority
Laura Best (advisor until 15/04/15)	NHS Business Services Authority
Steve Simkins	KPMG
Catherine Snape	KPMG
Alan Dorn (advisor from 01/12/15)	Government Actuary's Department
Sue Vivian	Government Actuary's Department
Chris Daniels (advisor from 01/12/15)	Government Actuary's Department
Gary Tansley (advisor until 05/10/15)	Government Actuary's Department

## Observers

<b>Name</b>	<b>Organisation</b>
Tim Sands	Department of Health
Simon Arden-Davis	Department of Health
Julie Badon (observer until 31/05/15)	Department of Health
Sharon Liptrott	Scottish Government
Donna Hill (observer from 28/10/15)	Welsh Government
Ian Owen (observer until 28/10/15)	Welsh Government

## Secretariat

<b>Name</b>	<b>Organisation</b>
Farhan Aziz	NHS Employers
Emma Brown	NHS Employers
Rachel Green (secretariat from 16/03/16)	NHS Employers
Stephanie Leary (secretariat until 31/12/15)	NHS Employers

## Appendix B - Work Plan 2015/16

Work area	Objectives	Timescale
SAB work plan 2015-16	Following approval and input from the responsible authority, the Shadow SAB will determine relevance and priorities of the SAB work plan for 2015-16.	March 2015
Implementation of 2015 NHSPS	Receive an update on implementation of the 2015 NHS Pension Scheme.  Depending on results of implementation, provide any advice or feedback on the impact on employers and members.	Ongoing throughout year
Protection opt out exercise	Provide advice and input on the protection opt out exercise.	June 2015  September 2015.
Review of Scheme accounts	Provide an opportunity for SAB members to review the accounts for information purposes.	September 2015.
Automatic re-enrolment	An overview of the process that will begin for some employers (3 years following their staging date).	September 2015.
Monitoring of NHSPS membership	Consider exception reports produced by NHS BSA/DH (through TAG) to consider if member levels exceed the Government's opt-out target and that sustainability is maintained. Make recommendations regarding this if appropriate.	Ongoing throughout year
Automatic enrolment	Monitor the impact of automatic enrolment on the NHSPS.	Ongoing throughout year as appropriate

<b>Work area</b>	<b>Objectives</b>	<b>Timescale</b>
Access	<p>Have an overview of the overall impact on the NHSPS of the introduction of Access arrangements.</p> <p>Provide input into the review of the Access arrangements.</p>	<p>Ongoing throughout year</p> <p>According to the Access review timetable</p>
New Fair Deal (NFD)	<p>Have an overview of the overall impact on the NHSPS of the introduction of New Fair Deal.</p>	Ongoing throughout year
Review of SAB arrangements	<p>Annual review and evaluation of SAB business during 2015-16.</p>	Ongoing throughout year March 2016
Additional Voluntary Contributions (AVC)	<p>DH to confirm whether an AVC review is required, following full implementation of freedom and choice and annual review meetings with current AVC providers.</p>	March 2016
Salary Sacrifice	<p>Review implications of salary sacrifice in the context of the 2015 NHS Pension Scheme.</p> <p>Initial work will be undertaken by TAG who will provide recommendations to SAB.</p>	<p>April 2015 (TAG salary sacrifice workshop)</p> <p>June 2015</p>
Communications	<p>Provide input and advice on requested communication messages and products in relation to the NHSPS and other policy changes.</p>	Throughout year as appropriate
Training	<p>Follow the training plan to ensure that members are informed and equipped to effectively advise the authority.</p>	Throughout year as appropriate
End of contracting out	<p>Consider the implications resulting from the end of contracting out.</p>	September 2015

<b>Work area</b>	<b>Objectives</b>	<b>Timescale</b>
Choice 2	Consider the impact of the Choice 2 exercise following implementation.	June 2015
TRS	Provide advice on the TRS/ABS roll-out.	Ongoing throughout year
Review of sub group terms of reference	Review terms of reference for any associated sub groups as required.	As required throughout the year.
Strengthening the incentive to save: a consultation on pension tax relief	Submit a joint SAB response to the consultation.	30 September 2015
SAB workshop	To include annual allowance and the implications of the end of contracting out.	November 2015
Locum death in service	To consider the impact of the different death in service treatment of locum workers who are members of the NHS Pension Scheme.	December 2015/January 2016.
Retire and return consultation	Provide feedback to DH on the proposals to reform the retire and return flexibility within the NHS Pension Scheme prior to consultation.  Submit a joint SAB response to the consultation.	December 2015/January 2016.  Expected February/March 2016.

## **Appendix C - Background**

The Public Service Pensions Act 2013 established in law the requirement for an NHS Pension Scheme – Scheme Advisory Board to operate from 1 April 2015.

The Board operated in shadow form from April 2014 to March 2015 and the Board was formalised from April 2015. The first meeting of the Scheme Advisory Board took place on 17 June 2015.

The Board is required to meet no less frequently than annually.

The secretariat function is undertaken by NHS Employers who ensure that:

- facilities are available to hold meetings
- an annual schedule of meetings is organised
- when additional meetings are required a minimum of 2 week's notice is provided where possible
- papers are distributed 7 days before each meeting
- minutes of meetings are circulated within 7 working days following each meeting.