

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

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**Annual Report 2016/17**

# Contents

Co-Chair statement.....	3
Purpose of the Scheme Advisory Board .....	4
Terms of reference review .....	4
Work areas 2016-17.....	4
Training.....	8
Contact Details.....	8
Appendix A - Membership .....	9
Appendix B - Work Plan 2016-17.....	13
Appendix C - Background .....	18

## Co-Chair statement

We are pleased to publish this report on the work of the NHS Pension Scheme Advisory Board for 2016-17. The board has met five times during the year in April, June, September, December 2016 and March 2017. The board has made considerable progress through the work plan and responded to a number of additional pension-related issues and consultations.

Discussions have been thought provoking and thorough and we would like to pass on our thanks to members of our sub-group, the Technical Advisory Group, for their work, particularly in helping the board prepare its recommendations to the Department of Health (DH) on the continued use of money purchase additional voluntary contributions in the NHS Pension Scheme. The board responded to a request from DH to review and make recommendations on proposed guidance for employers using the retire and return flexibility available in the NHS Pension Scheme to retain experienced and skilled staff.

The board responded to the DH consultation proposing the introduction of an employer administration levy to cover the cost of administering the NHS Pension Scheme. Our response reflected the concerns around the cost implications to employers already under considerable financial pressure. We were also grateful for the opportunity to respond with suggestions for increasing employer engagement with the scheme administrator to improve and develop services.

The board monitored scheme membership and opt out levels and member behaviour following legislative changes including automatic enrolment and changes to taxation. Despite these changes, the board were pleased to note that there were no major trends to investigate.

The board are well placed to provide recommendations on the assumptions for the forthcoming 2016 actuarial valuation with additional sub group meetings and training already in place.



**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 statutory 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 2016-17:

- 19 April 2016
- 8 June 2016
- 21 September 2016
- 7 December 2016
- 8 March 2017

## **Terms of reference review**

During the year, a working group of board members convened to review and suggest amendments to the terms of reference for SAB. These amendments were approved by the board at the 8 March 2017 meeting. The review was commissioned to ensure that the terms of reference accurately reflect the remit and role of the board.

## **Work areas 2016-17**

Work during the year has been carried out in line with the Scheme Advisory Board Work Plan 2016-17 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.

## **Budget 2016**

The board reviewed the contents of the 2016 Budget at the April 2016 meeting. This included announcements about tax legislation changes to reduce annual and lifetime allowances and the introduction of Lifetime ISAs from April 2017 for those aged between 18 and 40. The government released a summary of response to its consultation *Strengthening the incentive to save*, which the board had responded to in 2015-16. The board noted the 0.2 per cent decrease to the discount rate and this will have an impact on the 2016 scheme valuation and possibly result in increased employer contributions.

## **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 3 roll out (2016-17) the Board received progress updates from NHS Business Services Authority and provided feedback on processes and communications approaches.

## **Scheme valuation**

The board made preparations for the advice they have been requested to provide around the 2017 actuarial valuation, particularly on the assumption setting for the valuation. Training and a schedule of Technical Advisory Group meetings have been arranged for early in the 2017-18 financial year.

## **Scheme administration charge - consultation**

In November 2016, the Department of Health consulted on plans to introduce an employer administration levy to cover the costs of administering the NHS Pension Scheme. The board's joint response to the consultation noted that the proposals shift the administration costs from the Department of Health to NHS employers and direction body organisations and does not represent a reduction in cost to the tax payer or raise additional funds for the services. The response also asked for clearer information on the range of activities that NHS Business Services Authority will carry out with the administration levy and clearer information about the responsibilities of employers and third parties.

The plans within the consultation to further digitise services was welcomed by the board as was a move towards a more client focussed relationship. The board offered suggestions for increasing employer engagement with the scheme administrator in order to improve and develop services.

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

During the year, the board received regular information from NHS Business Services Authority as the scheme administrator and from the Department of Health about the number of members leaving the NHS Pension Scheme. This information was used to monitor and track trends and to assess how automatic enrolment and changes to tax legislation impacted on member behaviour. Despite the changes seen, there were no major trends noted for the board to consider.

## **NHS Pension Scheme communications**

The Board received update reports from NHS Business Services Authority on scheme communications. The Board provided feedback and advice from employer and member perspective.

## **Review of Scheme accounts**

In September 2016, the Board reviewed the NHS Pension Scheme accounts for 2015-16 as prepared by NHS Business Services Authority in order to provide oversight and assurance. The accounts were reviewed and noted by the Board.

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

Following the postponement of the review of AVCs in 2015-16 to allow the Department of Health to assess the impact of Freedom and Choice, the board reviewed AVCs between June and August 2016 through the Technical Advisory Group. The board made recommendations to the Department of Health at the end of August 2016, including a further review following one year of increased communication and promotion of AVCs. The board was pleased to hear that the Department of Health accepted the board's recommendations and are working with NHS Business Services Authority and the providers to increase communications around the benefits of AVCs.

## **Reforming retire and return**

DH asked the board to review draft guidance on the use of the retire and return flexibility available within the NHS Pension Scheme. The board submitted recommendations to DH by the end of August 2016 and are awaiting publication of the revised guidance.

## **Scheme access for new care models - consultation**

In December 2016, the Department of Health consulted on plans to amend the NHS Pension Scheme regulations to allow access to the NHS Pension Scheme for employees carrying out work under contracts relating to new models of care. The Technical Advisory Group reviewed the proposals and recommended that the board respond that they are content with the proposals.

## **Indexation and equalisation of GMP in public service pension schemes**

Between November 2016 and February 2017, HM Treasury consulted on proposals to address the implications of State Pension reforms for guaranteed minimum pensions of public servants below State Pension age. The board's sub group, the Technical Advisory Group, met and developed the draft SAB response by teleconference on 25 January 2017, which was signed off by SAB Co-Chairs prior to submission by the closing date of 20 February 2017. The response shared the board's preferred approach was the 1:1 conversion method as this best matches the consultation criteria, gender equality, legal/administrative risks and supporting a greater understanding of pensions savings.

## **The Occupational and Personal Pension Schemes (General Levy) Amendment Regulations 2017**

The Department for Work and Pensions (DWP) consulted on proposed changes to the general levy, which all pension schemes pay. The levy recovers core funding provided by DWP to three pension protection bodies including The Pension Regulator, The Pension Advisory Service and The Pensions Ombudsman. SAB supported the DWP proposed approach of reducing the levy rate for larger schemes whilst maintaining the levy rate for smaller schemes.

## **Employment offers**

Throughout the year the board discussed and monitored the use of employment offers of increased pay for non-membership of the NHS Pension Scheme. The board will continue to monitor these types of offers as part of ongoing monitoring of membership and yield levels.

## Training

In order to operate successfully, members of the Board have access to training on issues related to the annual work plan. All members complete a training needs analysis on joining the board to inform board training requirements each year. The main area of training planned for 2016-17 was on to the 2017 actuarial valuation, however, this training is being delivered in 2017-18.

Members are responsible for assessing their own training needs and maintaining accurate records of training undertaken. A suite of training resources is available to SAB members on:

- the use of Total Reward Statements
- salary sacrifice
- automatic enrolment
- information on New Fair Deal and Access.

## 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:

Rachel 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 2016 - March 2017.

### Members

Name	Organisation
Ian Anderson (appointed 30/06/16)	Buckinghamshire Healthcare NHS Trust
Jan Armstrong	City Hospitals Sunderland NHS Foundation Trust
Rehana Azam (resigned 27/06/16)	GMB
Gordon Benson	NHS Employers
Andy Blake	British Medical Association
Paul Bromley	Society of Radiographers
Michael Burden	Croydon Health Services NHS Trust
Alan Fox	Unison
Bryan Freake	Unite
George Georgiou (appointed 23/02/17)	GMB
Martina Govindraj (Vice Co-chair)	Royal Brompton and Harefield NHS Foundation Trust
Brian Harris (resigned 28/02/17)	Society of Chiropractors and Podiatrists
Andrea Hester	NHS Employers
Sharon Holder (appointed 20/09/16)	GMB
Sue Jacques (Co-chair)	County Durham and Darlington NHS Foundation Trust
Celestine Laporte (Vice Co-chair)	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
Gerry O'Dwyer (Co-chair)	Royal College of Nursing
Colm Porter (Vice Co-chair)	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>
Theresa Britton	NHS Business Services Authority
Julie Murphy	NHS Business Services Authority
Steve Simkins (contract ended 30/04/16)	KPMG
Catherine Snape (contract ended 30/04/16)	KPMG
Hilary Salt (contract started 01/05/16)	First Actuarial
Dale Walmsley (contract started 01/05/16)	First Actuarial
Craig Moran (contract started 01/05/16)	First Actuarial
Sue Vivian	Government Actuary's Department
Chris Daniels (resigned 08/06/16)	Government Actuary's Department
Alan Dorn	Government Actuary's Department
Evie Calcutt (resigned 08/08/16)	Government Actuary's Department
Dhanisha Sanghrajka (appointed 09/08/16)	Government Actuary's Department

## Observers

<b>Name</b>	<b>Organisation</b>
Simon Arden-Davis	Department of Health
Donna Hill	Welsh Government
Sharon Liptrott	Scottish Government
Tim Sands	Department of Health

## Secretariat

<b>Name</b>	<b>Organisation</b>
Farhan Aziz	NHS Employers
Emma Brown	NHS Employers
Rachel Green	NHS Employers

## Technical Advisory Group

The Technical Advisory Group is a sub-group commissioned by SAB to carry out specific pieces of work. The group is made up of SAB members and additional employer and trade union representatives as detailed below.

<b>Name</b>	<b>Organisation</b>
Alan Fox	Unison
Amy Leversidge	Royal College of Midwives
Andy Coles	Dorset Healthcare University NHS Foundation Trust
Bryan Freake	Unite the Union
Dale Walmsley	First Actuarial
Desmond Fox	Moorfields Eye Hospital
Dhanisha Sanghrajka	Government Actuary's Department
Hilary Salt	First Actuarial
Jackey Brodie	British Medical Association
Julie Murphy	NHS Business Services Authority
Richard Tompkins	NHS Wales Employers' Unit
Simon Arden-Davis	Department of Health
Sue Vivian	Government Actuary's Department

## Appendix B - Work Plan 2016-17

(Please note, for the purposes of the work plan, the Technical Advisory Group is noted as TAG)

Policy area & context	Questions / advice required	Date advice requested by	Status and update
<u>SAB work plan 2016-17</u>	Following approval and input from the responsible authority, SAB will determine relevance and priorities of the SAB work plan for 2016-17.	April 2016.	<b>Completed.</b> Reviewed and agreed at the 19 April 2016 meeting. Review to incorporate DH work plan agreed at the 8 June 2016 meeting. Updates are added as required.
<u>Budget 2016</u>	Opportunity for SAB to discuss the Budget 2016 and government response to consultation on pension's taxation.	April 2016.	<b>Completed.</b> This was included at the 19 April 2016 meeting.
<u>Retire and Return</u>  Further to SAB advice, DH has decided to address the issue of inappropriate R&R through guidance rather than making regulatory amendments.	The draft guidance will be presented to SAB for comment on 8 June 2016.  DH seeks SAB views on the draft guidance and suggests perhaps a task & finish group be set up to help DH develop the guidance which can then be issued with SAB's support.	End of August 2016.	<b>Completed.</b> SAB commissioned TAG to undertake a review of the draft retire and return guidance provided by DH. The response was signed off by SAB Co-Chairs and submitted to DH on 31 August 2016. SAB received a final version of the guidance on 14 December 2016 from DH. Members are asked not to share the guidance until it has been published. DH will publish the guidance imminently.
<u>AVC scheme review</u>  The AVC scheme was set up at a time when it was a legal requirement to offer an	Does SAB feel that the AVC scheme is a necessary and valuable part of	End of August 2016.	<b>Completed.</b> SAB commissioned TAG to undertake a review of

Policy area & context	Questions / advice required	Date advice requested by	Status and update
<p>additional DC scheme in the 1990s.</p> <p>Uptake has always been fairly low and the scheme has largely been used by higher earners to supplement main scheme benefits.</p> <p>Numbers of new joiners to the open AVC scheme providers (Standard Life &amp; Prudential) continue to be very low (single or low double figures each year).</p>	<p>the total reward package offered by the NHS to its staff?</p> <p>Does SAB feel that knowledge and understanding of the AVC scheme needs improving and if so, how?</p> <p>Does SAB feel the lack of new joiners is down to a lack of knowledge or awareness, or a sign that the AVC scheme is no longer needed as there appears to be very little demand.</p> <p>Does SAB feel that following on from the “freedom and choice” changes in April 2015 that the open market provides sufficient choice, protection and opportunities for NHS staff should they wish to supplement their main scheme benefits with a tax efficient flexible pension savings vehicle?</p> <p>Would SAB support the closure of the NHS MPAVC scheme to new joiners?</p> <p>If SAB believes that the AVC scheme should continue to be open to new joiners; does SAB think that a single provider-model (such as in the Teachers’ Pension Scheme) would improve the offer as a single provider could operate without having to consider what an alternative provider is doing?</p> <p>If SAB believes that the AVC scheme should continue to be open to new joiners; would SAB support policy &amp; regulatory change to allow new joiners to join via electronic means (i.e. wholly online) rather than the existing requirement to submit a hard copy form with a “wet” signature?</p>		<p>the AVC offering. TAG drafted a recommendation, which was signed off by SAB Co-Chairs and submitted to DH on 31 August 2016. On 11 November 2016, SAB received a letter from DH confirming acceptance of the SAB recommendation to use the next 12 months to increase awareness and knowledge of MPAVCs across employers and employees in the NHS. DH will ask providers Prudential and Standard Life to offer online and telephony joining. No regulatory change is required in this respect.</p>

Policy area & context	Questions / advice required	Date advice requested by	Status and update
<p><b><u>Review of Scheme accounts</u></b></p>	<p>Provide an opportunity for SAB members to review the accounts for information purposes.</p>	<p>September 2016.</p>	<p><b>Completed.</b> SAB reviewed the accounts at 21 September 2016 meeting.</p>
<p><b><u>Scheme Valuation</u></b></p> <p>The 4-yearly cycle of scheme valuation means that it is now time to value the scheme for the period 1/4/2012 – 31/3/2016.</p> <p>DH requires SAB's assistance to work with GAD on the valuation, and to evaluate the results as they become known.</p>	<p>SAB training session 1 – general training on the valuation process including a recap of 2012 valuation.</p> <p>SAB training session 2 – training on the role of SAB, particularly in relation to assumption setting.</p> <p>For information, further timetable is anticipated to be:</p> <p>Consultation with SAB on assumptions.</p> <p>Provisional results (please note this does not include any actions which may be required as a result of the cost cap breach).</p> <p>Published results.</p>	<p><del>2 February 2017.</del> Cancelled.</p> <p>7 April 2017.</p> <p>May - June 2017.</p> <p>October 2017.</p> <p>March 2018.</p>	<p><b>Ongoing.</b> A valuation training session took place on Friday 7 April 2017.</p>
<p><b><u>Scheme Admin Charge</u></b></p> <p>The reduction to DH budgets means that admin cost of scheme can no longer be met centrally.</p> <p>In line with the Teachers Scheme, DH intends to pass these costs to participating employers by introducing a scheme administration charge from 1 April 2017.</p>	<p>Advice is required on the design of the charge and how it can be explained to employers.</p>	<p>End of August 16, to allow for a September consultation and drafting of regulations.</p>	<p><b>Completed.</b> DH opened a consultation on 10 November 2016 on the administration levy and how this could be introduced. SAB commissioned TAG to draft a response, which was signed off by Co-Chairs and submitted before the consultation deadline of 9 January 2017. The response was shared with SAB members on 23 February 2017.</p>

Policy area & context	Questions / advice required	Date advice requested by	Status and update
<p><b><u>Opt-out data monitoring</u></b></p> <p>SAB to regularly review opt-out reports to establish whether any identifiable patterns emerge.</p>	<p>Consider exception reports produced by NHSBSA/DH to consider if member levels exceed the Government's opt-out target and that sustainability is maintained. Make recommendations regarding this if appropriate.</p>	<p>Ongoing through the year.</p>	<p><b>Ongoing.</b> Exception opt out reporting takes place at every meeting and is a standing agenda item. No exceptions have been reported to date, despite expectations that high earners would opt out following changes to annual and lifetime allowances from April 2016.</p>
<p><b><u>Training</u></b></p>	<p>Follow existing SAB training plan to ensure that members are informed and equipped to effectively advise the responsible authority.</p>	<p>Throughout year as appropriate.</p>	<p><b>Ongoing.</b> All new members complete a SAB training analysis. Training is provided as required.</p>
<p><b><u>Review of SAB arrangements</u></b></p>	<p>Annual review and evaluation of SAB business during 2016-17.</p>	<p>Ongoing throughout year/March 2017.</p>	<p><b>Completed.</b> Please see agenda item 5 – <i>Review of SAB arrangements</i> at the 8 March 2017 meeting.</p>
<p><b><u>Communications</u></b></p>	<p>Provide input and advice on requested communication messages and products in relation to the NHSPS and other policy changes.</p>	<p>Throughout year as appropriate.</p>	<p><b>Ongoing.</b> SAB receives regular updates from NHSBSA on the work of the ECSG on scheme communications.</p>
<p><b><u>Other anticipated policy</u></b></p> <p>We are expecting policy work to be undertaken during the year to look at:</p> <ul style="list-style-type: none"> <li>• Tax for high earners</li> </ul> <p>The timings and scope have yet to be confirmed.</p>	<p>TBC</p>	<p>TBC</p>	<p><b>Ongoing.</b> There has been no consultation relating to taxing high earners.</p>

Policy area & context	Questions / advice required	Date advice requested by	Status and update
<ul style="list-style-type: none"> <li>Scheme access for new care models (MCPs, PACS etc)</li> </ul> <p>The consultation <i>NHS Pension Scheme: Proposed Changes to Scheme</i> was released on 1 December 2016, with a closing date of 26 January 2017.</p>			<p><b>Completed.</b> SAB commissioned TAG to review the consultation. TAG met by conference call on 20 December to consider a response, which was submitted on 25 January 2017 and circulated to SAB members on 23 February 2017.</p>

## **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 weeks' 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.