

NHS Pension Scheme
Scheme Advisory Board

Annual Report 2017/18

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Co-Chair statement

We are pleased to publish this report on the work of the NHS Pension Scheme Advisory Board for 2017-18. The board has met four times during the year in June, September and December 2017 and March 2018. The board has made considerable progress through the work plan and responded to a number of additional pension-related issues and consultations.

The 2016 scheme valuation has been a key area of focus for the board over the last year. The board provided advice to the Department of Health and Social Care (DHSC) on the appropriateness of the scheme-specific assumptions recommended by the Government Actuary's Department (GAD). The results of the valuation will determine the employer contribution required from April 2019.

Alongside the scheme valuation, the board has been undertaking a review of the way employee contributions are determined from April 2019. One of the objectives of this review is to ensure that the required contribution yield is collected. Fairness, equality and affordability are the key themes emerging from the discussions. The board is well placed to provide recommendations on the contributions by Summer 2018.

The discussions around the scheme valuation and review of employee contributions cover complex data and technical concepts. Our advisers at GAD and First Actuarial have been invaluable in helping the board to fully understand the supporting principles to contribute effectively to discussions. We would like to take this opportunity to thank our advisers for their support. We also pass on our thanks to members of the Technical Advisory Group, a subgroup of the board, for their in-depth analysis and for presenting the key information required to inform our recommendations.

Over the year, a number of experienced members have left the board and new members have been appointed, bringing new skills, knowledge and insight. We look forward to more opportunities to work effectively together in partnership throughout 2018/19.



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 and Social Care) 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 member 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 2017-18:

- 21 June 2017
- 6 September 2017
- 6 December 2017
- 7 March 2018

A training session was held for members of the board on 7 April 2017 in preparation for the 2016 scheme valuation work.

Work areas 2017-18

Work during the year has been carried out in line with the Scheme Advisory Board Work Plan 2017-18 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.

Scheme valuation 2016

DHSC asked the board to provide advice on the development of a set of scheme specific (non-directed) assumptions to be used in the current scheme valuation. The board reviewed the advice provided by GAD on setting appropriate assumptions and gave their view on:

- whether any other information should be considered; and
- if they have any reason to believe that the assumptions proposed are inappropriate.

The board provided their written advice to DHSC on the scheme specific assumptions in July 2017. Board members agreed the assumptions proposed by GAD were appropriate and made two key suggestions for GAD to consider, in relation to the assumptions for dependent mortality and age retirement from service.

The results of the valuation will be finalised once the HM Treasury Directions are published.

Employee contributions

DHSC asked the board to review the way employee contributions are determined and set from April 2019. This work has been a key priority for the board over the last year.

One of the objectives of the review is to ensure the required contribution yield of 9.8% is collected from scheme members. The board will consider the appropriateness of the current tiers and rates in light of a number of issues including the changing balance of final salary and CARE benefit accrual.

Pensions tax relief was a key basis for the design of the current employee contributions structure and continues to be an important factor in this review. The pensions tax landscape has changed significantly since the last review, particularly for high earners, due to the continued reduction in the annual and lifetime allowances.

Affordability, fairness and value have emerged as key themes from the discussions.

The board will continue to develop their recommendations for submission to DHSC by Summer 2018. The scheme regulations will be amended to give effect to the new employee contribution structure from 1 April 2019.

Autumn Budget 2017

The board discussed the key points from the Autumn Statement on 22 November 2017, in which the Chancellor announced the lifetime allowance would increase to £1.03m from April 2018 and committed to further funding for Agenda for Change pay increases if an agreed settlement could be reached.

Monitoring of NHS Pension Scheme membership

The board has received regular information from NHS Business Services Authority (BSA) as the scheme administrator and from the DHSC 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. There were no major trends noted for the board to consider.

Scheme administration levy

From April 2017, the cost of the administering of the NHS Pension Scheme was passed to employers in the form of the scheme administration levy. The scheme administration levy has been set at a rate of 0.08% of pensionable pay and is collected in addition to the standard employer contribution rate. The board responded to the consultation about the introduction of the levy and was grateful to see that comments and suggestions of how employers could engage with the service had been taken into consideration.

Pension Board

A number of representatives of the Scheme Advisory Board are also members of the engagement and communications group which is a subgroup of the Pension Board. This ensures that links are maintained between the two boards and their respective functions.

Total Reward Statements

The board received progress updates from NHS BSA on the TRS rollout for 2017 and mid-year refresh of statements. The number of members viewing their

statements is increasing gradually and the introduction of the mid-year refresh of statements has contributed to this.

New guidance on retire and return

DHSC published their guidance for employers and staff on re-employment of staff in receipt of NHS Pension Scheme benefits in August 2017. The board was pleased to have been involved in shaping and developing this guidance.

Indexation and equalisation of GMP in public service pension schemes

The board responded to the HM Treasury consultation on indexation and equalisation of Guaranteed Minimum Pensions (GMP) in public service pension schemes in February 2017. The consultation aimed to gather views and preferences on various options for addressing the issues of equalisation and indexation of the new state pension reforms.

HM Treasury has since published the outcome of the consultation, explaining their decision to extend the interim solution of full indexation to cover those who reach State Pension Age on or after 6 December 2018 and before 6 April 2021. Members of the board are aware this decision will create a cost increase for the scheme.

Legal cases of interest

The board has followed the progress of a number of ongoing legal cases of relevance to public service pension schemes.

- Walker v Innospec Ltd – the Supreme Court ruled that it is unlawful to calculate a survivor’s pension payable to a surviving civil partner or same sex spouse based on restricted pensionable service since 5 December 2005. The judgement was applied retrospectively, meaning that survivor’s pensions paid to a civil partner or same sex spouse must be based on all the member’s pensionable service.
- Firefighters Pension Scheme – the Fire Brigade Union has claimed that transitional protections introduced with the new 2015 pension scheme are age-discriminatory.
- Brewster - the Supreme Court judgement removed the need for unmarried partners to complete a nomination form for survivor’s benefits.

The NHS Pension Scheme and Additional Voluntary Contributions (Amendment) Regulations 2018

The board submitted a joint response to the DHSC consultation on 22 December 2017. The consultation proposed to amend the scheme regulations to:

- remove the requirement to nominate unmarried partners;
- incorporate scheme access for Accountable Care Organisations (ACOs);
and
- make minor technical corrections and refinements.

Training

In order to operate successfully, members of the board have access to training on issues related to the annual work plan. The key focus of training over the past year has been to prepare members for the discussions on the actuarial valuation and review of member contributions. Members are responsible for assessing their own training needs and maintaining accurate records of training undertaken.

Scheme valuation training

Board members attended a scheme valuation training session on 7 April 2017. The training was jointly facilitated by GAD and First Actuarial and covered the basics of scheme valuations, the information used during the valuation process, scheme specific and directed assumptions. The training focussed on the board's role during the valuation process.

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 Jones, Programme Manager - Pensions and Reward, NHS Employers

Contact number: 0113 306 3000

Email: pensions@nhsemployers.org

Appendix A - Membership

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

Members

- Member representatives from the NHS trade unions are 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 are nominated by NHS Employers and offer the breadth of employer representation for the NHS Pension Scheme; for example, to include Foundation Trusts and independent provider representation.

Observers

- Welsh and Scottish Governments.
- Department of Health and Social Care (England); to include finance, pension policy and advisors.
- Observers from the scheme administrator (NHS BSA).

Actuaries and professional advisors

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

Tenure of membership remains while 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 2018 can be found in Appendix A.

Scheme Advisory Board membership April 2017 - March 2018.

Members

Name	Organisation
Ian Anderson (resigned 31/08/17)	Buckinghamshire Healthcare NHS Trust
Rachael Armistead (appointed 08/02/18)	NHS Employers
Jan Armstrong	City Hospitals Sunderland NHS Foundation Trust
Gordon Benson	NHS Employers
Andy Blake	British Medical Association
Sandra Le Blanc (appointed 20/11/17)	East Kent Hospitals University NHS Foundation Trust
Paul Bromley	Society of Radiographers
Michael Burden (resigned 06/12/17)	Croydon Health Services NHS Trust
Alan Fox	Unison
Bryan Freake (resigned 31/03/2018)	Unite the Union
Martin Furlong (appointed 28/11/17)	Society of Chiropodists and Podiatrists
George Georgiou (appointed 23/02/17)	GMB
Martina Govindraj (Vice co-Chair)	Whittington Health NHS Trust
Brian Harris (resigned 28/02/17)	Society of Chiropodists 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) (resigned 06/06/17)	Unison
Neil Lark	The Chartered Society of Physiotherapy
Geoff Lester	Federation of Clinical Scientists
Amy Leversidge (resigned 19/12/17)	Royal College of Midwives
David Levy	Tees, Esk and Wear Valleys NHS Foundation Trust
Wallace Mair (resigned 23/06/17)	British Dental Association
Heather Mawson	The University of Manchester
Phil McEvoy (appointed 26/06/17)	British Dental Association
John Neal (appointed 08/03/18)	Unite the Union
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 (resigned 07/03/18)	Countess of Chester Hospital NHS Foundation Trust
Richard Tompkins	NHS Wales Employers

Advisors

Name	Organisation
Julie Murphy	NHS Business Services Authority
Hilary Salt	First Actuarial
Dale Walmsley	First Actuarial
Craig Moran	First Actuarial
Sue Vivian	Government Actuary's Department
Alan Dorn	Government Actuary's Department
Garry Swann	Government Actuary's Department

Observers

Name	Organisation
Simon Arden-Davis	Department of Health and Social Care
Tim Sands	Department of Health and Social Care
Annie Jones	Welsh Government
Sharon Liptrott	Scottish Government

Secretariat

Name	Organisation
Farhan Aziz	NHS Employers
Rachel Green	NHS Employers

Technical Advisory Group

The Technical Advisory Group is a subgroup 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.

Name	Organisation
Alan Fox	Unison
Anne Clark (appointed 31/10/17)	Nottingham University NHS Trust
Andy Coles (appointed 16/03/17)	Dorset Healthcare University NHS Foundation Trust
Bryan Freake (resigned 31/03/18)	Unite the Union
John Neal (appointed 08/03/18)	Unite the Union
Dale Walmsley	First Actuarial
Desmond Fox (resigned 30/10/17)	Moorfields Eye Hospital
Rachael Armistead (appointed 08/02/18)	NHS Employers
Rachel Green	NHS Employers
Hilary Salt	First Actuarial
Jackey O'Grady (appointed 02/11/17, resigned 19/03/18)	NHS Wales Shared Services Partnership
Jackey Brodie	British Medical Association
Phil McEvoy (appointed 26/06/17)	British Dental Association
Julie Murphy	NHS Business Services Authority
Richard Tompkins	NHS Wales Employers' Unit
Simon Arden-Davis	Department of Health and Social Care
Nasmus Haq	Government Actuary's Department
Garry Swann	Government Actuary's Department
Sue Vivian	Government Actuary's Department

Appendix B - Work Plan 2017-18

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

Policy Area & Context	Questions / Advice Required	Advice Requested By	Status and update
<p><u>Scheme Valuation</u></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>DHSC requires SAB's assistance in accordance with the valuation work programme document.</p>	<p>July 2017.</p>	<p>Completed. Work has been completed and advice submitted to DHSC.</p> <p>HM Treasury has not yet published the directed assumptions for consultation.</p>
<p><u>Employee contributions</u></p> <p>The response document to the 2015 scheme consultation signalled a review at next valuation of the basis upon which contributions are assessed.</p>	<p>Advice on the appropriateness of changing the assessment basis.</p> <p>Recommendations on the appropriateness of current tiers and rates, specifically whether a flatter structure is desirable in light of any changing balance between final salary and CARE scheme accrual.</p>	<p>June 2018. Any change would be implemented from 1 April 2019.</p>	<p>Ongoing. Discussion scheduled for all upcoming SAB meetings up until the deadline.</p>
<p><u>Scheme access</u></p> <p>The scheme will need to ensure that changes to the provider landscape are appropriately accommodated by scheme access rules. In particular the advent of new care models and consideration of access for dental practice staff using the wholly or mainly approach</p>	<p>Advice on whether and how the scheme can be appropriately extended to accommodate dental practice staff.</p> <p>Recommendations on the appropriateness of extending the scope of qualifying contracts for</p>	<p>TBC.</p>	<p>Ongoing. Further work on scheme access will be carried over into the 2018/19 SAB work plan.</p>

Policy Area & Context	Questions / Advice Required	Advice Requested By	Status and update
used for Independent Providers.	Independent Providers to include PDS contracts.		
<p><u>Opt-out data monitoring</u></p> <p>SAB to regularly review opt-out reports to establish whether any identifiable patterns emerge.</p>	<p>Consider exception reports produced by NHS BSA/DHSC 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>Ongoing. Scheduled for inclusion at each meeting throughout the year.</p>
<p><u>Training</u></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>Ongoing. Training needs identified on an ongoing basis by members.</p>
<p><u>Review of SAB arrangements</u></p>	<p>Annual review and evaluation of SAB business during 2017-18.</p>	<p>Ongoing throughout year/March 2018.</p>	<p>Ongoing. Scheduled for inclusion at each meeting.</p>
<p><u>Other anticipated policy</u></p> <p>We are expecting policy work to be undertaken during the year to look at:</p> <ul style="list-style-type: none"> • Application of the £95,000 cap on exit payments to pensions payable with an unlimited employer top-up ('old style' redundancy and Interest in Efficiency of the Service). 	<p>TBC</p>	<p>The timings and scope have yet to be confirmed.</p>	<p>Ongoing.</p>

Policy Area & Context	Questions / Advice Required	Advice Requested By	Status and update
<p><u>Areas of interest</u></p> <ul style="list-style-type: none"> • Walker v Innospec Ltd judgement. • Outcome of age discrimination appeal in relation to the Firefighter's Pension Scheme. 			

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 which ensures:

- 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.