

NHS Pension Scheme
Scheme Advisory Board

Annual Report 2021-22

Contents

<u>Co-chair statement</u>	<u>3</u>
<u>Introduction</u>	<u>4</u>
<u>Meetings held in 2021-22</u>	<u>4</u>
<u>Work areas in 2021-22</u>	<u>5</u>
<u>SAB arrangements and training in 2021-22</u>	<u>8</u>
<u>Further information and contact details</u>	<u>9</u>
<u>Appendix A – SAB and TAG membership 2021-22</u>	<u>10</u>
<u>Appendix B – SAB work plan 2021-22</u>	<u>13</u>

Co-chair statement

We are pleased to publish this report to highlight the work of the Scheme Advisory Board (SAB) for the NHS Pension Scheme (England and Wales) during 2021-22.

In December 2021, SAB was pleased to welcome Jon Restell, Chief Executive of Managers in Partnership, as our new staff side co-chair. Jon has been a member of SAB since 2015, and brings valuable additional experience from his work with the national Social Partnership Forum (SPF) for the NHS in England.

Jon has taken over as co-chair from Nicola Lee, following her departure from the Royal College of Nursing. Nicola has made a significant contribution to SAB over her time as co-chair, and she has played a key role in helping the board to navigate complex discussions and agree joint positions over this time.

A key priority for SAB this year has been continuing to advise the Department of Health and Social Care (DHSC) on changes to the scheme's member contribution structure. As part of this work, the board spent time debating the principles underpinning the structure, considering a number of potential options put forward by DHSC, and responding to the public consultation in December 2021.

SAB has also spent time considering and responding to consultations published by HM Treasury about the cost cap mechanism and the SCAPE discount rate. The outcome of these consultations will feed into the 2020 scheme valuation, which will be a key priority for SAB in 2022-23. We would like to extend our particular thanks to our advisors at GAD and First Actuarial for helping us to navigate this technical work.

Due to ongoing Covid-19 restrictions, all meetings and training sessions continued to be held virtually this year. We have reflected on our ways of working and, although we value the flexibility that virtual meetings have offered, we look forward to incorporating some face-to-face meetings into our schedule for next year.



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



Jon Restell
Co-chair (NHS Trade Unions)
Managers in Partnership

Introduction

The role of the Scheme Advisory Board (SAB) of the NHS Pension Scheme is to advise the Secretary of State for Health and Social Care on the desirability of changes to the NHS Pension Scheme for England and Wales.

SAB has an ongoing request for advice from the Department of Health of Social Care (DHSC) in the form of an annual work plan (Appendix B). As well as fulfilling its responsibility to respond to requests for advice from DHSC, SAB will often consider and respond to other public consultations from the government, as appropriate.

SAB is a partnership board, with its members representing both NHS employers and NHS trade unions (Appendix A). When considering its advice to government, SAB aims to reach decisions by consensus between its employer and staff side representatives.

This report outlines the work of the board in 2021-22.

Further information about the responsibilities and operation of the Scheme Advisory Board can be found on the [NHS Employers website](#).

Meetings held in 2021-22

The Scheme Advisory Board met five times between April 2021 and March 2022, all in a virtual capacity.

In addition to the quarterly meetings that were scheduled, one extra meeting was held to ensure that sufficient time could be dedicated to complex discussions when necessary.

Meetings were held on the following dates:

- 6 June 2021
- 8 August 2021 (additional meeting)
- 10 November 2021
- 14 December 2021
- 15 March 2022

Work areas in 2021-22

Work during the year was aligned to the Scheme Advisory Board work plan 2021-22, which is DHSC's formal request for advice from SAB (Appendix B). The key aspects of SAB's work this year are detailed below.

Member contributions from 1 April 2022

In October 2020, DHSC asked the Scheme Advisory Board to review the member contribution structure for the NHS Pension Scheme and to provide advice on potential changes. Any changes were intended to align with the end of the McCloud remedy period, with all members being in the 2015 CARE scheme for future accrual from 1 April 2022.

SAB provided initial advice to DHSC in March 2021.

At the June 2021 SAB meeting, DHSC presented three potential contribution structures based on SAB's advice, along with a proposed approach to phasing in the new structure. Ahead of the meeting, members attended separate dedicated sessions that included an overview presentation on the proposals, a summary of SAB's previous member contributions advice and examples of how the different options may impact take home pay for NHS Pension Scheme members. SAB held extensive discussions on the proposals and the views of members were captured in a second piece of advice that was submitted to DHSC.

As a board, SAB did not reach a unanimous decision to recommend a preferred member contribution structure but instead provided views on each option in its response. Many staff side representatives were concerned about the potential impact on members that changing the contribution structure from 1 April 2022 may cause. Whilst employer representatives appreciated this position, they believed that certain changes were necessary to correct issues with the current structure.

From October 2021, DHSC ran a [public consultation](#) seeking views on a proposed new member contribution structure in the NHS Pension Scheme that was to be implemented from 1 April 2022. The consultation set out four proposals:

- Members' contributions rates will be determined using their actual pensionable pay rather than their whole time equivalent pay (current approach).
- The number of contribution tiers should reduce from 7 to 6, and the range of contribution rates should narrow. The lowest rate would rise from 5.0% to 5.2% and the highest rate would fall from 14.5% to 12.5%.
- The contribution tier boundaries will be increased each year in line with annual Agenda for Change (AfC) pay awards.
- The new contribution structure should be phased in over two years.

At the November 2021 SAB meeting, the board reviewed its previous advice submitted on member contributions. The four proposals set out in the October consultation were discussed at length and the views of SAB were captured in a response that was submitted to

DHSC in December 2021. The board did not unanimously support all proposals within the consultation, but did provide commentary on each proposal.

The board raised mutual concerns that too much change, as well as the timing of change during the pandemic recovery phase, may impact the perceived value of the NHS Pension Scheme. The importance of the scheme as a recruitment and retention tool in the NHS was reiterated. SAB also emphasised the need for clear communications ahead of implementation for both members and those administering the changes.

SAB has continually advocated for the benefits of introducing scheme flexibilities to the NHS Pension Scheme. In all its advice submitted on member contributions, SAB has strongly supported the introduction of flexible accrual rates to mitigate scheme opt-outs across the whole membership. SAB has also continued to highlight the high member contribution yield for the NHS Pension Scheme of 9.8 per cent as a barrier to reaching agreement on many of the issues relating to this matter.

The [outcome](#) of the DHSC consultation on changes to member contributions was published in February 2022 and it was confirmed that the changes will be implemented from 1 October 2022. SAB has agreed to monitor participation rates within the NHS Pension Scheme and will continue to support the implementation of the changes to the member contribution structure in 2022-23.

McCloud: removing age discrimination from public sector pension schemes

In 2018, the McCloud judgement ruled that the transitional arrangements to the 2015 pension schemes across the public sector gave rise to unlawful discrimination on the grounds of age. This discrimination needs to be removed from all affected schemes, including the NHS Pension Scheme.

The McCloud Bill sets out the framework for the remedy in two stages:

1. Making provisions to prevent future age discrimination by closing the legacy schemes to active accrual.
2. Rectifying the discrimination that occurred in the period between 2015 to 2022.

In December 2021, the DHSC published a [public consultation](#) on proposed changes to the NHS Pension Scheme Regulations. The consultation focused on the first part of the McCloud remedy to close the 1995/2008 legacy schemes and move all members to the 2015 Scheme from 1 April 2022.

At the December SAB meeting, DHSC delivered a presentation covering key points of the proposed changes to NHS Pension Scheme regulations to deliver the McCloud remedy. SAB discussed the consultation and submitted its response in January 2022. Within its response, SAB highlighted two areas of concern to ensure due consideration was given to immediate detriment cases and Early Retirement Reduction Buyout (ERRBO) cases.

The second round of regulation changes will cover the retrospective remedy and new provisions to enable the scheme to provide members with a choice exercise for benefits payable during the remedy period, correct any over or underpayments, and allow compensation for any loss due to the discrimination. A consultation on these regulation changes is expected in autumn 2022 and this work will therefore continue into 2022-23.

Scheme valuation

- Finalisation of 2016 valuation

At its meeting in March 2021, SAB was presented with the provisional cost cap results for the 2016 scheme valuation, following the inclusion of the McCloud remedy costs. SAB discussed the contents of the 2016 draft valuation directions and submitted feedback to HM Treasury (HMT) in April 2021.

The [final directions and report](#) were published by HMT in October 2021.

- Consultations on SCAPE discount rate and changes to cost cap mechanism

In August 2021, HMT ran two public consultations on proposed changes to the [cost cap mechanism](#) and the [discount rate methodology](#). Both of these topics are directly relevant to the NHS Pension Scheme valuation process.

To help SAB members understand the proposals and contribute to discussions, training videos on the SCAPE discount rate and cost cap mechanism were created. Separate sessions for employer and staff-side SAB representatives were held in July to help to form initial views on both HMT consultations. Questions that arose from the sessions were collated and addressed at an engagement session with HMT in August. An additional SAB meeting was also arranged in August where SAB further discussed the proposals and the agreed SAB responses to both consultations were submitted to HMT shortly afterwards.

The [outcome](#) of the cost cap consultation was published in October 2021. The government will proceed and implement all three proposed reforms for the 2020 valuation:

- The cost control mechanism will only consider past and future service in the reformed schemes, and allowance for legacy schemes will be removed.
- The cost corridor will be widened from 2 per cent to 3 per cent of pensionable pay.
- An economic check will be introduced linked to expected long-term GDP.

The outcome to the SCAPE consultation is still awaited and SAB will continue its work on this in 2022-23 as part of the 2020 valuation process.

Abatement and the 16-hour rule

As part of the Coronavirus Act introduced in March 2020, the regulations on abatement and the 16-hour rule were suspended until March 2022, to support retired NHS staff to return to the service without impacting their pension.

In February 2022, DHSC ran a [consultation](#) on the proposed continuation of the temporary easements to reflect the ongoing nature of the pandemic pressures at that time. The proposals were considered by SAB, the views of members were gathered and submitted in a response. The [outcome](#) of the consultation agreed that the suspension would be extended to 31 October 2022.

DHSC granted SAB's request to review the abatement and 16-hour regulations, this work will be completed in 2022-23.

Retirement flexibility

In November 2021, SAB wrote to DHSC ministers advocating for the consideration of more flexible retirement options in 1995 Section of the NHS Pension Scheme, to support staff working for longer.

Monitoring of NHS Pension Scheme member trends

The board received regular updates from NHS Business Services Authority (the scheme administrator) throughout the year. These updates included the latest information about TRS statements being viewed by members, as well as the number of members that decided to opt out of the scheme for a range of different reasons. This has allowed SAB to monitor key trends in scheme membership and TRS uptake this year.

SAB arrangements and training in 2021-22

Training

Training sessions are provided to SAB members on issues relating to the work plan, to ensure that this work can be delivered effectively.

A series of virtual training sessions were held in 2021-22, with topics including the McCloud remedy and its implementation, and a detailed overview of member contributions and benefits. A dedicated session on effective McCloud communications was delivered in September 2021. A training day was held in February 2022, the agenda included a session on the NHS Pension Scheme in the wider UK pensions context, and sessions on income in retirement and driving value from the NHS Pension Scheme. These sessions were provided for members of SAB and TAG, and were recorded to allow members to revisit this information as needed.

Review of SAB arrangements

SAB carried out an annual review of the Terms of Reference, with no changes identified as part of this process.

SAB members also took part in a review of the effectiveness of the board in February 2022 where the results were presented and discussed. Actions identified from this session will continue to be taken forward in 2022-23.

Interaction with the NHS Pension Board

The NHS Pension Board provides scrutiny and assurance of the administration of the NHS Pension Scheme.

A number of representatives of the Scheme Advisory Board are also members of the NHS Pension Board, and meeting minutes are shared between both boards. This ensures that links are maintained between the two boards and their respective functions. In addition, the SAB co-chairs will set up discussions with the chair of the NHS Pension Board to share information if considered necessary.

More information about the role of the NHS Pension Board can be found on the [gov.uk website](https://www.gov.uk).

Further information and contact details

Further details about the Scheme Advisory Board are available on the [NHS Employers website](#). For more information about SAB, or to contact one of the co-chairs, please use the following details:

Olivia Desmond

Programme Manager, Pensions and Reward, NHS Employers.

Contact number: 0113 306 3000

Email: pensions@nhsemployers.org

Appendix A – SAB and TAG membership 2021-22

Scheme Advisory Board:

Members

Employer representatives	
Name	Organisation
Alison Risker (from June 2021)	Cambridge University Hospitals NHS Foundation Trust
Andrea Ashman (vice co-chair)	East Kent Hospitals University NHS Foundation Trust
Andrea Hester	NHS Employers
Carla Beechey (from June 2021)	West Midlands Ambulance Service University NHS Foundation Trust
Carey Southward (from October 2021)	Imperial College London
Heather Mawson (to August 2021)	The University of Manchester
Jacqueline Bilcliff	Gateshead Health NHS Foundation Trust
Jan Armstrong	South Tyneside and Sunderland NHS Foundation Trust
Rachel Jones	NHS Employers
Richard Tompkins	NHS Wales Employers
Robert Simcox (from June 2021)	Sherwood Forest Hospitals NHS Foundation Trust
Sarah Hayden	Kent Community Health NHS Foundation Trust
Sue Jacques (co-chair)	County Durham and Darlington NHS Foundation Trust
Member representatives	
Alan Fox	Unison
Andy Blake	British Medical Association
Chris Musgrave (from February 2022)	Royal College of Nursing
Colm Porter (vice co-chair to February 2022)	Unison
Dean Rogers	Society of Radiographers
Geoff Lester	Federation of Clinical Scientists
George Georgiou	GMB
Gerry O'Dwyer (to February 2022)	The College of Podiatry
Hannah Reed (to November 2021)	Royal College of Nursing
James Goldman (to November 2021)	British Dental Association
John Neal	Unite the Union

Jon Restell (co-chair from December 2021)	Managers in Partnership
Lynne Galvin	Royal College of Midwives
Neil Lark	The Chartered Society of Physiotherapy
Nicola Lee (co-chair to November 2021)	Royal College of Nursing
Phil McEvoy	British Dental Association

Advisors

Name	Organisation
Charlotte White	First Actuarial
Dale Walmsley	First Actuarial
Garry Swann	Government Actuary's Department
Hilary Salt	First Actuarial
Julie Murphy	NHS Business Services Authority
Matt Howgate (from March 2022)	First Actuarial
Sue Vivian	Government Actuary's Department

Observers

Name	Organisation
Annie Jones	Welsh Government
Gareth Probert	Department of Health and Social Care
Greg Walker	Scottish Government
Johanna Rhodes	Department of Health and Social Care
Paula Peppas	Department of Health and Social Care
Tim Sands	Department of Health and Social Care

Secretariat

Name	Organisation
Lauren Baxter (from July 2021)	NHS Employers
Olivia Desmond	NHS Employers
Mary Rollinson (to December 2021)	NHS Employers
Rebecca Wilson (from July 2021)	NHS Employers

Technical Advisory Group:

Members

Employer representatives	
Name	Organisation
Andy Coles	Dorset Healthcare University NHS Foundation Trust
Christine Samosa (to April 2022)	Health and Care Partnership for Cheshire and Merseyside
Martina Govindraj	King's College Hospital NHS Foundation Trust
Olivia Desmond	NHS Employers
Rachel Jones	NHS Employers
Member representatives	
Alan Fox	Unison
John Neal	Unite the Union
Phil McEvoy	British Dental Association
Tony Goldstone	British Medical Association

TAG members are supported by advisors from GAD, First Actuarial and the NHS Business Services Authority.

Appendix B – SAB work plan 2021-22

The work plan is DHSC’s formal request for advice from SAB in 2021-22.

<i>Policy Area & Context</i>	<i>Questions / Advice Required</i>	<i>Advice Requested By</i>
<p><u>McCloud judgment</u> HMT have published their consultation response confirming the approach to remedy.</p> <p>The Public Service Pensions and Judicial Offices Bill was published in July 2021 to provide appropriate powers for scheme regulations to enact the remedy.</p> <p>Two packages of regulations are anticipated: (a) to move all staff into the 2015 for future accrual from 1 Apr 2022, and (b) to implement the Deferred Choice Underpin with retrospective effect from 1 Oct 2023 at the latest.</p>	<p>Consideration of scheme regulation changes necessary to implement the remedy.</p>	<p>HMT anticipate schemes to begin consulting on regulation package (a) in December 2021 with a view to laying final regulations Jan/Feb 2022.</p> <p>Regulation package (b) is expected in the autumn of 2022.</p>
<p><u>Member contributions</u> SAB have reviewed member contributions and provided advice on potential changes from 1 April 2022.</p> <p>In response DHSC will set out proposals for consultation. DHSC will seek to reach agreement with SAB on these proposals, in accordance with the consultation process set by s22 of the Public Service Pensions Act 2013 when considering changes to member contributions.</p>	<p>Consider and respond to DHSC proposals. Engage in rounds of discussion seeking to reach agreement.</p> <p>Public consultation on refined DHSC proposals</p> <p>Consider and respond to any amendments proposed by DHSC following consultation.</p>	<p>June 2021</p> <p>Consultation period 15 October 2021 – 7 January 2022</p> <p>February 2022</p>
<p><u>Retirement flexibility</u> McCloud remedy and pandemic exhaustion may bring forward retirement intentions for some staff. The 1995 section does not have the same retirement flexibilities as the 2008 section & 2015 scheme which are designed to facilitate retention of older staff.</p> <p>Decisions on partial retirement in the 1995 section and pensionable re-employment for 1995 section pensioners are expected from HMT following the Spending Review in Autumn 2021.</p>	<p>Any advice required is TBC and is dependent on the outcome of the Spending Review.</p>	<p>TBC</p>

<i>Policy Area & Context</i>	<i>Questions / Advice Required</i>	<i>Advice Requested By</i>
<p><u>Scheme valuation</u></p> <p>Finalisation of 2016 valuation. HMT have unpaused the cost cap element and issued amended draft directions reflecting the deferred choice underpin option as the approach for McCloud remedy.</p> <p>In June 2021, HMT published two public consultations seeking views on the SCAPE discount rate methodology and proposed changes to the cost cap mechanism.</p> <p>2020 valuation preparation.</p>	<p>Consider draft amended HMT valuation directions. Feedback is requested on whether the data and assumptions used in the 2016 valuation require updating to reflect the impact of McCloud remedy.</p> <p>Consider and respond to both HMT consultations.</p> <p>TBC</p>	<p>End of April 2021.</p> <p>HMT issued final directions in October 2021.</p> <p>Both consultations closed on 19 August 2021.</p> <p>TBC</p>
<p><u>Scheme participation and value</u></p> <p>The scheme is a substantial and valuable part of staff reward packages.</p>	<p>Explore the drivers of scheme participation and opt-out. How does the value of scheme participation change for particular member groups at points during their NHS career.</p>	<p>TBC</p>
<p><u>Training</u></p>	<p>Consider training needs to ensure SAB members are informed and equipped to provide advice on topics.</p>	<p>Training needs identified on an ongoing basis by members.</p>
<p><u>Review of SAB arrangements</u></p>	<p>Undertake annual evaluation of SAB effectiveness.</p>	<p>Scheduled for inclusion at each meeting.</p>