



# Pensions News



Welcome to the June edition of Pensions News. Of interest this month are the different measures being considered by DHSC and MoJ to address pensions-related issues in recruitment and retention.

Meanwhile, MHCLG's 'Harvey' case highlights the potential costs of what might appear to be relatively minor changes to scheme benefits.

**Sue Vivian, Head of Public Service Pensions**

## New pensions flexibility for senior NHS clinicians

GAD has worked closely with the Department of Health and Social Care (DHSC) in developing new proposals to make pensions more flexible for senior NHS clinicians. We helped DHSC develop a 50:50 option. This will give members the option to accrue benefits at 50% of the standard accrual rate in exchange for paying half of the regular employee contributions. Senior clinicians can face regular annual allowance tax charges due to their accrual on high levels of salary.



Additionally, the nature of working extra, variable and often unpredictable additional shifts means it is difficult to forecast earnings levels in advance. This can be a challenge in conjunction with the calculation mechanism of the tapered annual allowance. The new 50:50 option could therefore help clinicians build their NHS pensions more gradually without facing regular, significant tax charges.

Members may still incur annual allowance tax charges from their benefit accrual in the NHS Pension Scheme. The 'scheme pays' option remains available for the tax charge to be met by an individual's pension scheme in exchange for lower benefits at retirement, rather than paying the tax charge directly.

In our work with the DHSC, we:

- analysed the data for members in scope
- calculated the impact on benefits and contributions of scheme members
- produced examples to show how the option can work in practice

This new proposal for high earning clinicians will be made available for consultation and is part of the newly-published [Interim NHS People Plan](#).



## MoJ funding for recruitment and retention

On 5 June the government announced steps to tackle emerging and unprecedented recruitment issues in the senior judiciary.

**Responding** to a major review from the Senior Salaries Review Body, the MoJ has introduced a temporary recruitment and retention allowance of 25% for High Court judges and 15% for Circuit and Upper Tribunal judges who are eligible for the 2015 pension scheme.

This proposal aims to resolve the immediate recruitment issue until a long term, sustainable, pension-based solution can be implemented for all judges.

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## MHCLG successfully defends discrimination case

In October 2018, the High Court dismissed an application by Ms Harvey, the unmarried partner of a deceased member of the 1997 Local Government Pension Scheme, for a judicial review of her claim against Haringey LBC (the administering authority) and MHCLG, saving the taxpayer several billion pounds. GAD's John Bayliss provided a witness statement in the case. He estimated the potential cost of introducing survivors' benefits for unmarried partners in the LGPS would be in the range £600 million to £1,100 million, rising to £2½ billion to £4½ billion for all public service pension schemes.



Ms Harvey has now decided not to proceed with her appeal against that judgement, and so it will stand.

The LGPS pays a survivor's pension to a member's unmarried cohabiting partner if the member was an active member after 2008, but not if they left the scheme before that date. Ms Harvey contended that Haringey's refusal to pay her a survivor's pension amounted to unlawful discrimination and a breach of her human rights.

In **the judgment**, the judge noted:

- “the broader impact on the public purse, and on other LGPS members, if the Claimant were to receive the benefit she contends for, would be very significant”
- “the Secretary of State was fully entitled not to provide retrospective survivors' pensions for members of the 1997 Scheme in circumstances where ... the result would have been the imposition of the cost on members against their wishes and/or the imposition of significant extra liabilities on the public purse”

If you are defending any discrimination claims where cost to the public purse may be an issue, please speak to **Michael Scanlon**, **Rob Fornear**, or your usual actuarial adviser who will be pleased to discuss how GAD may be able to help.



## News roundup

### DfE support for employer contributions

In January DfE launched a consultation on a proposal to provide support to certain educational institutions for the increase in employer contributions to the Teachers' Pension Scheme, to be implemented from September 2019. In April, DfE [issued its response](#) to the consultation, setting out its proposed approach for allocating the available funding.

### LGPS(NI) Section 13 report

GAD undertook the first review of the Local Government Pension Scheme Northern Ireland under Section 13 of the PSPA (Northern Ireland) 2014. This [report is required](#) following each actuarial funding valuation. We assessed the valuation of the scheme in terms of its compliance, consistency, solvency and long term cost efficiency. We concluded the 2016 actuarial valuation and the resulting employer contribution rates achieved the aims set out in Section 13.

### GAD presents at PLSA conference

Our own Mike Scanlon [spoke about 'the ups and downs of 2019 valuations'](#) at a Pensions and Lifetime Savings Association Local Authority Conference. Around 90 local government pension scheme (LGPS) funds in England and Wales are preparing their 2019 valuations against a backdrop of uncertainty due to the current pause in the cost cap process.

### Government Actuary Reappointed



The Government Actuary, Martin Clarke, will continue in his role for a further 5-year term. Originally appointed in 2014, the Prime Minister has now approved his reappointment. Mr. Clarke said: "I'm really pleased this means I can continue to lead and work with the teams in GAD for the next 5 years. As the department marks its centenary this year, I believe this sense of continuity is just as important as we continue to work on complex and long-term issues for our clients."

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