



Reform of the NHS pension scheme

Equality analysis

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Reform of the NHS pension scheme

Equality analysis

Introduction

1. This Equality Analysis is being undertaken to inform the reform of the NHS Pension Scheme (NHS PS), in light of the Government's response to the Independent Public Service Pension Commission's (IPSPC) final report on the reform of public service pension schemes. It was undertaken by the officials listed at Appendix 1 and develops further the original case, produced by the Independent Public Service Pension Commission (IPSPC) for HMT, as set out in their report published in March 2011, and looks at the further detail as set out in the Proposed Final Agreement published in March 2012. This analysis also complies with the public sector Equality Duty, which came into force on 5 April 2011. The Equality Duty ensures that all public bodies play their part in making society fairer by tackling discrimination and providing equality of opportunity for all.
2. The Government set up the IPSPC chaired by Lord Hutton to make recommendations on how public service pensions could be made sustainable and affordable, whilst remaining fair to the workforce and the tax payer.
3. The IPSPC published its interim report in October 2010. That report stated that the current public service pension structure has been unable to respond flexibly to workforce and demographic changes in the past few decades. This has led to:
 - rising value of benefits due to increasing longevity;
 - unequal treatment of members within the same profession;
 - unfair sharing of costs between the employee, the employer and taxpayers; and
 - barriers to increasing the range of providers of public services.
4. Lord Hutton pointed out that the cost of public service pensions had increased by around a third because of longer life expectancy over the last 50 years. As a result, cash expenditure on paying pensions to public service pensioners had increased to £32bn over the last decade. Lord Hutton therefore recommended that increased longevity and the imbalance between employer and employee contributions were strong reasons to make short-term changes to pension contributions pending a more fundamental redesign of the schemes.
5. The Government accepted that there is a rationale for increasing member contributions to ensure a fairer distribution of costs between taxpayers and members and employee contribution rates from April 2012. This is with a view to delivering additional savings of £2.8bn a year by 2014-15.
6. In doing so, the Government aimed to ensure that the impact of the changes on the level of employee contributions;

Reform of the NHS pension scheme

- is progressive,
 - protects the lower paid, and
 - reduces the potential for opt-outs from public service schemes.
7. The increase will average 3.2 percentage points of salary per scheme. Year one contribution increases were implemented as of April 2012 and there is a separate Equality Analysis¹, published on the DH website, to cover this change. That was developed in consultation with the NHS Trade Unions.
 8. The IPSPC published its final report on 10 March 2011. That report set out how the IPSPC believes it is possible for public service employees to have access to good quality, sustainable and fairer defined benefit pension schemes for the foreseeable future.
 9. The IPSPC's report stated that comprehensive reform was needed to balance the concerns of taxpayers about the present and future cost of pension commitments in the public sector, as well as the wider need to ensure decent levels of retirement income for public service workers.
 10. The reports recommendations included:
 - As soon as practical, members of the current defined benefit public service pension schemes should be moved to new schemes for future service, but the Government should continue to provide a form of defined benefit pension as the core design.
 - A new Career Average Revalued Earnings (CARE) scheme should be adopted for general use in the public service schemes.
 - The Government must honour in full the pension promises that have been accrued by scheme members: their accrued rights. In doing so, the Commission recommends maintaining the final salary link for past service for current members.
 - The Government should increase the member's Normal Pension Age (NPA) in the new schemes so that it is in line with their State Pension Age (SPA), with regular review to make sure that remains appropriate.
 - The Government should set out a fixed cost ceiling: the proportion of pensionable pay that they will contribute, on average, to employees' pensions over the long term. If this is exceeded then there should be a consultation process to bring

¹ See http://www.dh.gov.uk/en/Consultations/Responsestoconsultations/DH_131612

Reform of the NHS pension scheme

costs back within the ceiling, with an automatic default change if agreement cannot be reached.

- It should be possible to introduce the new schemes before the end of this Parliament.

11. The Government accepted Lord Hutton's recommendations as a basis for consultation with public sector workers, trades unions and others. These have informed the discussions with key stakeholders that led to the scheme design embodied in the Proposed Final Agreement of 9 March 2012. A Written Ministerial Statement was laid by CST in the House on the 4th July that recognised the move from consultation to development and implementation from April 2015 of these reforms, based on the outcome of that consultation process.
12. The proposed final agreement included the provision for a partnership review on working longer given the new link between SPA and NPA. It was recognised in discussions that these changes may impact more on certain categories of staff within the NHS. As a result, it was agreed to set up a tripartite review between the Department of Health, NHS Employers and the NHS Trade Unions to address the impact of working longer in the NHS, with particular reference to staff in frontline and physically demanding roles including emergency services. This review is focused on the implications of NHS staff working longer and will include gathering evidence, seeking views from relevant stakeholders assessing impact, and, if necessary consideration of available options to mitigate implications of an older workforce.
13. The Department therefore recognises that the equality duty is an iterative process, and this equality analysis provides a solid basis upon which the Department will continue to reflect throughout the development phase of pension reform.

Description of the Policy

Current Policy

14. The NHS PS is operated in line with NHS Pension Scheme Regulations². Following the agreement for the 2008 Section, the key provisions of the existing policy are set out below covering both the 1995 and 2008 Sections of the NHS Scheme:

Benefits

15. 1995 Section benefits include:
- an annual pension and a retirement lump sum, normally equal to three times the pension; and
 - survivor pensions and a lump sum payable on death in service equal to twice actual pensionable pay
16. 2008 Section benefits include:
- an annual pension and an option to exchange pension for lump sum within HMRC limits (currently up to 25%)
 - Benefits also include survivor pensions and a lump sum payable on death in service equal to twice actual pensionable pay

Normal Pension Age

17. The age at which NHS Staff retire is an employment matter. With the exception of ill health pensions, the Minimum Pension Age (MPA) at which pension can be paid is age 50³ or 55 in the 1995 Section and age 55 in the 2008 Section.
18. Members of the NHS PS have a Normal Pension Age (NPA) of 55 (if defined as being in Special Classes) or 60 (in the 1995 Section) or 65 (in the 2008 Section):
- Scheme members who entered pensionable employment for the first time on or after 1st April 2008 will be members of the 2008 Section and have an NPA of 65.
 - Scheme members who entered pensionable employment before 1st April 2008 and have continued in pensionable employment, are members of the 1995 Section and have an NPA of 60 or 55 if in special classes⁴.

² The National Health Service Pension Scheme Regulations 1995 (SI 1995/300 as amended) and The National Health Service Pension Scheme Regulations 2008 (SI 2008/653 as amended)

³ If the member qualifies for protection of this earlier minimum pension age under HMRC rules.

Reform of the NHS pension scheme

- Deferred members of the 1995 Section returning after a break of more than five years are usually required to join the 2008 Section for future service. Such members have an option to transfer their 1995 Section service across to the 2008 Section on a cash equivalent basis. If this option is not taken, their NPA for service up to the break remains at 60 in the 1995 Section and will be 65 for service accruing in the 2008 Section.

Accrual rates

19. The accrual rate for the NHS PS defined benefit scheme is the rate at which members can accumulate retirement benefits, expressed in fractional/percentage terms:
- Pensions in the 2008 Section accrue at the rate of 1/60th of final pay for each year of service or 1.87% of career average earnings for self-employed general medical practitioners, general dental practitioners and ophthalmic medical practitioners;
 - Pensions in the 1995 Section accrue at the rate of 1/80th of final pay for each year of service or 1.4% of career average earnings for self-employed general medical practitioners, general dental practitioners and ophthalmic medical practitioners.

Final Pay

20. Final pay (the pay used to calculate retirement benefits) is:
- a. In the 1995 Section, the best of the last three years pensionable pay; and
 - b. In the 2008 Section the annual average of the best three years' consecutive pensionable pay in the 10 years before leaving or retirement, revalued by pensions increases.

Options to draw retirement benefits before NPA

21. In addition to retirement benefits paid on grounds of attaining NPA, the NHS PS pays:
- **Ill-health retirement benefits:** Immediate payment of unreduced retirement benefits if a scheme member becomes permanently unable to continue in their current NHS job because of ill health. If the member is also permanently unable to undertake regular employment because of ill health, their pensionable service is increased by two-thirds of the service they could have completed had they worked until age 60 (in the 1995 Section) and age 65 (in the 2008 Section).

⁴ Special Class members are those with the right to retire from age 55 with an unreduced pension. These special retirement rights were removed for new entrants with effect from 6 March 1995.

Reform of the NHS pension scheme

- **Actuarially-adjusted benefits:** Scheme members who leave pensionable employment before NPA can draw their retirement benefits from age 50 or 55 on a voluntary basis. Benefits are reduced on an actuarial adjustment basis to take account of early payment.
- **Premature retirement between MPA and NPA:** If employment has terminated on grounds of redundancy or in the interest of the efficiency of the service, the member may claim an unreduced pension. The employer pays the cost of paying the pension early. If the pension is paid on the grounds of redundancy, the employer uses any lump sum payment due to the member to defray the cost.
- **Phased retirement:** A person who takes a reduction in pay of at least 10% can draw down retirement benefits based on up to 80% of their pensionable service whilst remaining in pensionable employment.

Contribution rates

22. Employers pay 14%.
23. From 1 April 2012 to 31 March 2013, the employee contribution rate will range between 5.0% and 10.9%, depending on a member's full time equivalent salary. Further changes to the employee contribution rate will be applied in 2013-14 and 2014-15.

Scheme coverage

24. The Scheme automatically covers persons working for NHS Employing Authorities.
25. Access to the Scheme can also be provided to other employees through Direction under section 7(1) and 7 (2) of the Superannuation (Miscellaneous Provisions) Act 1967.

Policy Changes

The 'reference scheme'

26. The Government set out its preferred design for public service pension schemes in a 'reference scheme', which reflected Lord Hutton's recommendations. The key aspects of the reference scheme are below:
 - a Career Average Revalued Earnings (CARE) pension scheme;
 - public service workers benefits to be earned at a rate of 1/60ths of pensionable earnings each year;
 - public service workers will have their benefits increased each year they are working in the public services in line with earnings revaluation;
 - a Normal Pension Age linked to State Pension Age (or 65, whichever is higher);

Reform of the NHS pension scheme

- pensions in payment to increase in line with the Consumer Price Index (CPI);
- benefits earned by leavers to increase by CPI from the date of leaving until retirement;
- average member contributions for the unfunded public service pension schemes set at the level of the existing schemes after the increase of 3.2 percentage points currently planned (a provision specific to the Local Government Pension Scheme);
- members given the option at retirement to convert £1 of annual pension into a £12 one-off lump sum payment in accordance with HMRC limits and regulations;
- ill-health, death and survivors benefits (ancillary benefits) to match those currently provided by schemes that are open to new members;
- members who leave the scheme and rejoin within 5 years to be able to link their new service with previous service, as if they had always been an active member;
- members transferring between public service schemes to be treated as having continuous active service (which would include those transferring between schemes who had rejoined public service after a gap of less than 5 years); and
- an employer contribution cap to provide backstop protection to the taxpayer against unforeseen costs and risks.

27. In addition, the Government has announced that those within 10 years of their NPA and in NHS employment on the 1st April 2012 will be fully protected and transitional protection will apply to those who are within 13.5 years of their NPA on 1st April 2012.

A reformed scheme design for the NHS PS

28. Ministers and officials have engaged in detailed discussions with NHS Trade Unions and employer representatives on a potential design for a reformed NHS PS. The discussions have focused on potential variations to the reference scheme, to reflect the distinctive nature of the NHS workforce. The discussions have resulted in a Proposed Final Agreement which sets out a core scheme design as follows:
- a. A pension scheme design based on career average;
 - b. an accrual rate of 1/54th of pensionable earnings each year with no limit to pensionable service;
 - c. revaluation of active members' benefits in line with CPI plus 1.5% per annum;
 - d. a Normal Pension Age (NPA) equal to the State Pension Age (SPA) for both active members and deferred members (new scheme service only) for all post-2015

Reform of the NHS pension scheme

service. If a member's SPA rises, then NPA will do so too for all post 2015-service. Those within ten years of current NPA are excluded and accrued rights in pre-2015 schemes will also be related to current NPA;

- e. pensions in payment to increase in line with inflation (currently CPI);
- f. benefits to increase in any period of deferment in line with inflation (currently CPI);
- g. member contributions on a tiered basis to produce a total yield of 9.8% of total pensionable pay in the Scheme⁵;
- h. optional lump sum commutation at a rate of £12 of lump sum for every £1 per annum of pension foregone up to the maximum limit on lump sums permitted by HM Revenue and Customs;
- i. the current flexibilities in the 2008 section: early/late retirement factors on an actuarially neutral basis, draw down of pension on partial retirement and being able to retire and return to the pension scheme will be included in the 2015 scheme;
- j. ill-health retirement pensions to be based on the current ill-health retirement arrangements but with enhancement for higher tier awards to be at the rate of 50% of prospective service to normal pension age;
- k. spouse and partner pensions to continue to be based on an accrual rate of 1/160th. For deaths in retirement, spouse and partner pensions will remain based on pre-commuted pension;
- l. the current arrangements for abatement (for service accrued prior to and post 2015) will be retained;
- m. lump-sum on death in service will remain at two times actual pensionable pay;
- n. for members who in the new scheme have a NPA higher than 65 there will be an option in the new scheme to pay additional contributions to reduce or, in some cases, remove any early retirement reduction that would apply if they retire before their NPA. Only reductions that would apply in respect of years after age 65 can be bought out and the maximum reduction that can be bought out is for 3 years (that would apply to a member with a NPA of 68 or higher)⁶;

⁵ The Government has determined that the average member contributions will be increased from 6.6% in 2011/12 in stages to 9.8% in 2014/15. Member contribution rates in 2012/13 will increase by amounts between 0% and 2.4%. There will be no increase in 2012/13 for staff with WTE pensionable pay less than £26,558. Further increases in member contributions will be made in 2013/14 and 2014/15 to reach the required 9.8% average contribution level, The Government will formally consult on the increases for those years in due course.

⁶ This will be subject to a minimum normal retirement age of 65. Contributions will ordinarily be payable by members but individual employers will be able to choose to provide a contribution in certain circumstances, subject to the conclusions of the Working Longer Review. Where members make earlier retirement contributions,

Reform of the NHS pension scheme

- o. Added Years contracts in the 1995 section will continue on compulsory transfer to the 2015 scheme⁷;
- p. Additional pension arrangements will continue⁸;
- q. the Public Sector Transfer Club will continue and further consideration will be given to the best way of operating it in the reformed schemes; and
- r. An employer contribution cap.

There will be transitional protection:

- s. All accrued rights are protected and those past benefits will be linked to final salary when members leave the scheme. Existing arrangements with respect to the Uniform Accrual Formula for Medical Health Officers (MHOs) will continue to apply for staff who move to the new arrangements;
- t. The current rules requiring staff in the 1995 scheme to retire, take all benefits and be prohibited from further pension scheme membership will be retained but with the following changes. Staff on taking their 1995 benefits after the age of 55⁹, will be able to defer their 2015 benefits but without the possibility of further accrual;
- u. All active NHS Pension Scheme members in the 1995 arrangements with a pension age of 60 or 55 who, as of 1 April 2012, have 10 years or less to their current pension age, including MHOs and members of the special classes, will see no change in when they can retire, nor any decrease in the amount of pension they receive at their current NPA. This will be achieved by allowing such members to remain in their current arrangements until they retire;
- v. Members who are within a further 3 years and 5 months of their normal pension age (ie up to 13 years and 5 months from their NPA) will have limited protection with

e.g. for retirement from age 65, but subsequently choose to retire, at a different date, their benefits will be actuarially reduced or enhanced to take full account of the extra years of earlier retirement they bought. The cost of earlier retirement will be actuarially neutral, and expressed as a percentage increase in the employee contribution rate, per year of earlier retirement. Periodically, the additional contribution rate will be reviewed, and may change during the period of purchase. The cost of purchase has yet to be calculated but indicative costings are that it would be in the region of 1.2% to 1.5% of salary from 2015 for each year taken early depending on the age of the member when they move into the new arrangements.

⁷ Already "paid-up" contracts, lump sum contracts and ongoing extra percentage contribution contracts will be maintained within the 1995 section of a member's NHS PS service until their chosen end age for the contract, which is 60 or 65, or 55 for members of the special classes. A member with service in the 1995 scheme could in future elect to receive the benefits accrued via their Added Years contracts at the contract end date rather than upon their retirement. The continuation of 'Half cost' and pre 1972 Added Years contracts (taken out by married men) is no longer appropriate and this facility will be removed from 2015 onwards, after a suitable period of notice and publicity for currently active members.

⁸ Members with service in the 1995 schemes could in future elect to receive the benefits accrued via their additional pension contracts at the contract end date rather than upon their retirement.

⁹ Some staff in the 1995 section have a protected right to a minimum pension age of 50. If they take pension benefits before 55, then legally they must take all benefits.

Reform of the NHS pension scheme

linear tapering so that for every month of age that they are beyond 10 years of their normal pension age, they lose 2 months of protection. At the end of the protected period, they will be transferred into the new pension arrangements;

w. 2008 Scheme members already have a normal pension age of 65. Those who are within ten years of 65 and those with tapered protection would have a pension age of 65 or 66 in the new 2015 arrangements. These members will also be subject to protection but since modelling suggests that many may be better off transferring to the new arrangements in 2015 they will be offered a one off opportunity to opt into the new scheme in 2015 if they prefer;

x. Members with protection who leave active service and return within five years will be able to return to their current arrangements with final salary linking if they are in the fully protected group. If they are in the tapered protection group, they will return to the scheme arrangements that they would have been in had they remained in service. Those who return after more than 5 years will, as now, be offered the choice of converting their past service to the new scheme terms on a cash equivalent basis or leaving it as an accrued benefit without final salary linkage;

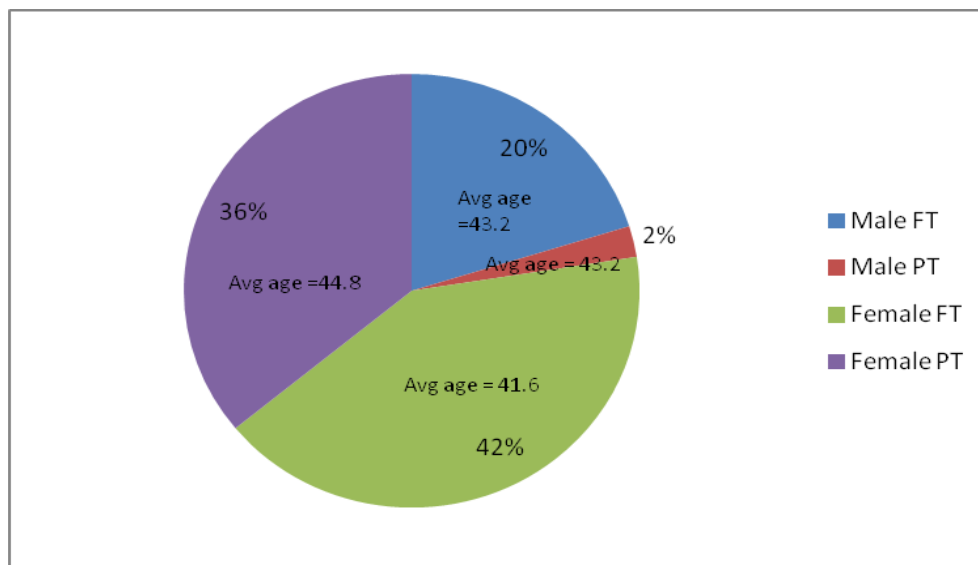
Engagement and Involvement

29. During initial discussions with NHS Employers, employer representatives and the NHS Trade Unions, and whilst developing the proposed final agreement, consideration was given to the overall impact of these changes on the total NHS Workforce. Some equality aspects were reflected in the modelling papers produced by GAD at the time, based on available data. Therefore, key stakeholders have had an opportunity to provide and consider evidence that has now also been used to inform this detailed Equality Analysis
30. However, the timing of the development of this Equality Analysis has necessarily depended upon the drawing up of a Proposed Final Agreement, which was announced on 9 March 2012. Having a proposed scheme design, against which to carry out the Equality Analysis, has enabled the Department to begin the more detailed work on assessing its implications for members of groups with protected characteristics, building on the high level assessment already done and the consideration undertaken during the negotiations process.

Equality Analysis

31. In accordance with the public sector equality duty (section 149 of the Equality Act 2010) a public authority must, in the exercise of its functions, have due regard to the need to:
 - a. eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b. advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c. foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
32. The data utilised for this analysis mainly draws on the latest available data from the electronic staff record (ESR) and Pension data available from NHS BSA as analysed by the Government Actuary's Department.
33. The following equality analysis covers the full equality duty, however data in respect of age, gender and by full time or part time working status there is better available data than in other areas such as ethnicity where data is more limited. Where there is limited data available and it is difficult to reach absolute conclusions the Department sought to comply as much as possible using the available data. The level of analysis has linked to the availability of data and to the considered view about the relative risk of impact to each of the protected groups. The Department's position in respect of other protected groups is detailed separately toward the end of the analysis.
34. The Department will continue to be mindful of the public sector equality duty, and as or when further data may become available this will be reviewed. Consideration of equality implications will continue as progress is made toward and through the implementation phase.
35. This data covers the entirety of the NHSPS membership across England and Wales covering around 1.3 million active members.
36. Chart 1 below gives an overview of the membership, split by gender and full-and part-time status. It also shows average age for each group of member.

Chart 1: Overview of membership (data as at 31 March 2010)



a) A pension scheme design based on career average

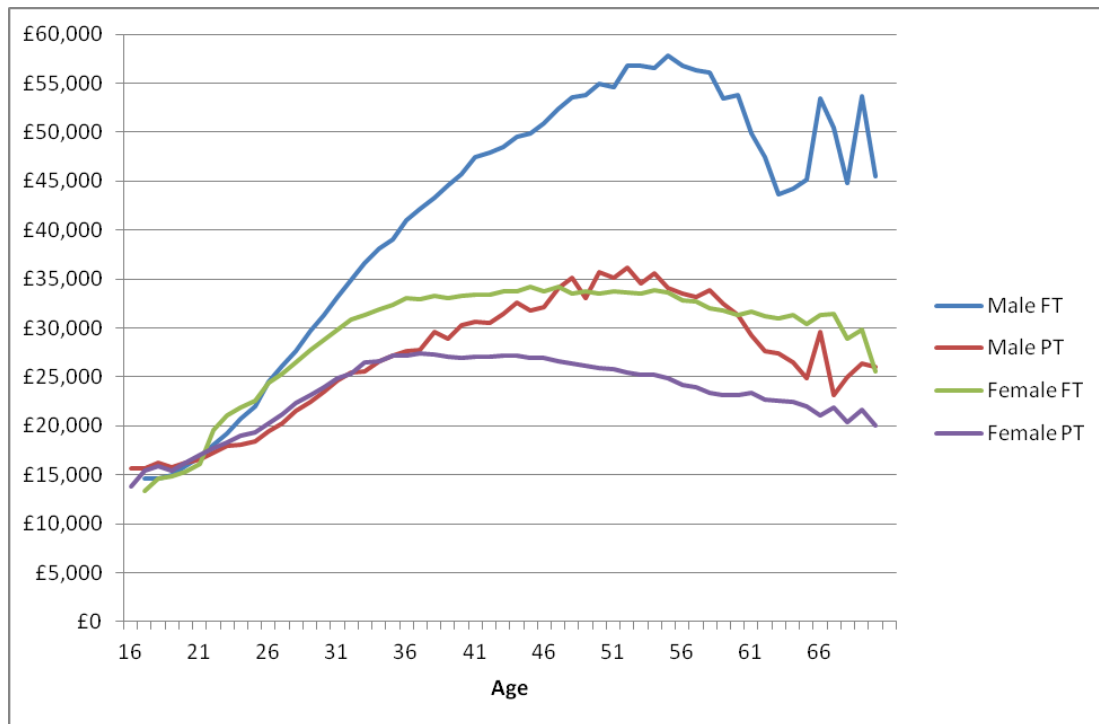
37. Within a given cost envelope moving from a final salary scheme to a career average scheme benefits those with slower, flatter pay progression at the expense of those with steeper, and particularly late in career, progression. This is because the “final salary” aspect of the current scheme design favours those with high pay at retirement. The IPSPC’s analysis found that men are expected to have stronger pay progression than women and are likely to be most affected by a move to a career average scheme.

“Age” Analysis

38. Chart 2 provides analysis of the average annual rate of pay earned by scheme members by age. The analysis demonstrates a progressive increase in pay associated with age up to around age 55 for men, which is the age from which some groups of members may retire without actuarial reduction of benefits; the reduction in average pay after this age is due to the change in the remaining membership mix as certain groups of members retire. Average pay increases up to around age 35 for women and then flattens, but starts reducing again at around the age of 55.
39. The above suggests higher paid people (with higher pensions) are more likely to retire early. The career average earnings basis will deflate the pension of higher earners, and so may have a behavioural effect on this group.

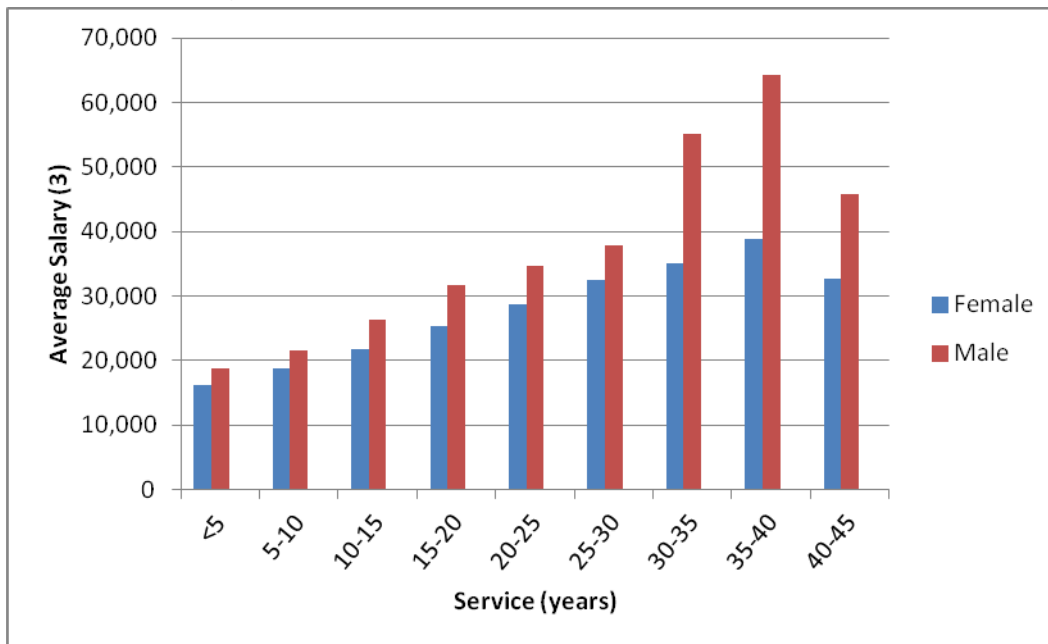
Reform of the NHS pension scheme

Chart 2 – Pay Progression (data as at 31 March 2010)



40. Chart 3 provides analysis of the average pay of those members who retired at or after Normal Pension Age in the period April to December 2011. The analysis demonstrates that in general those with higher pay are those with more years of service, so have had the opportunity to experience pay progression to influence pension benefits. The dip in average pay for those with over 40 years' membership is related to the pattern demonstrated in chart 2 where average pay can be seen to decline as the mix of members changes following some groups' retirement.
41. Chart 3 demonstrates that the highest earners tend to have careers that are shorter than the maximum period that counts as pensionable service because they start later as a result of attending medical school or some other form of higher education. For example, a doctor who started work aged at least 23 (after 5 years medical school) is unlikely to make it into the 40-45 years service bracket.

Chart 3 – Average pay at retirement (retirements in 2011)



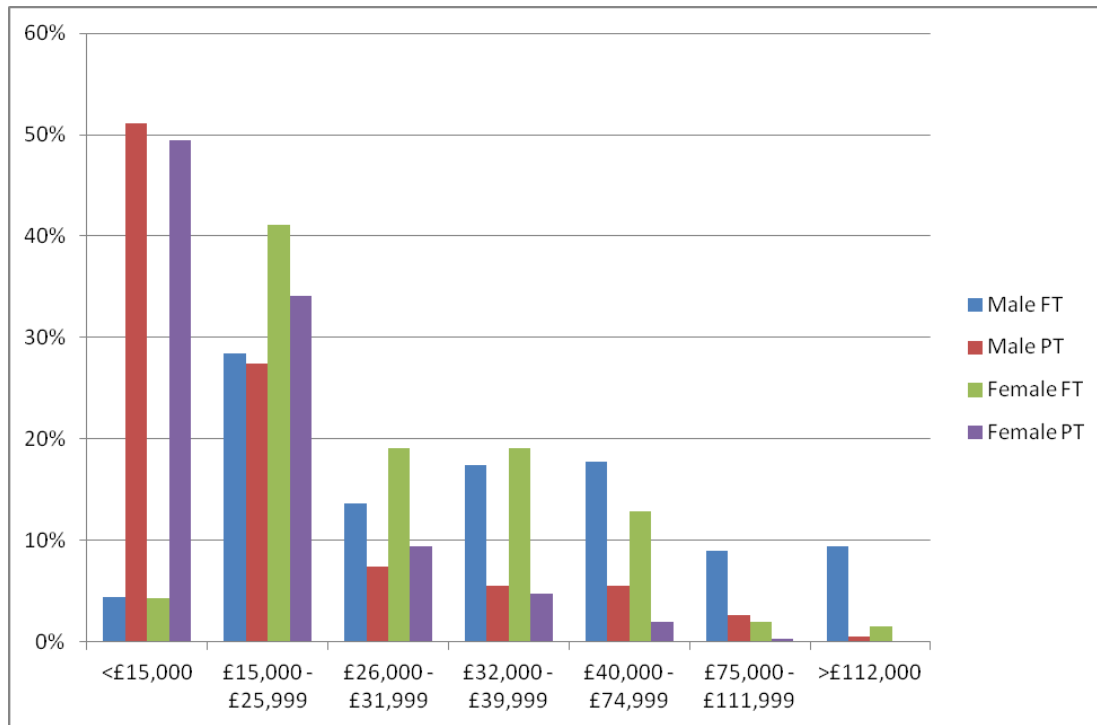
42. The analysis does not evidentially suggest that the introduction of a career average scheme will result in members in a particular age group being significantly impacted, except in transition.
43. It is clear from Chart 3 that pay at retirement is closely linked with the number of years in service. The introduction of a career average basis where accrual of pension is based on earnings over an individual's career will ensure members are treated more equally. (In particular, the move to career average avoids the circumstance of two individuals with similar career/working patterns, and paying similar contributions, receiving disproportionately different pensions at little personal cost, where one has a promotional increase near the end of their career.)

"Gender" Analysis

44. It is apparent from the above charts that pay progression of males, particularly full time males, is steeper than that of females. Chart 4 provides further analysis that supports this position, where it is clear that a larger proportion of men do reach higher pay bands than that of females

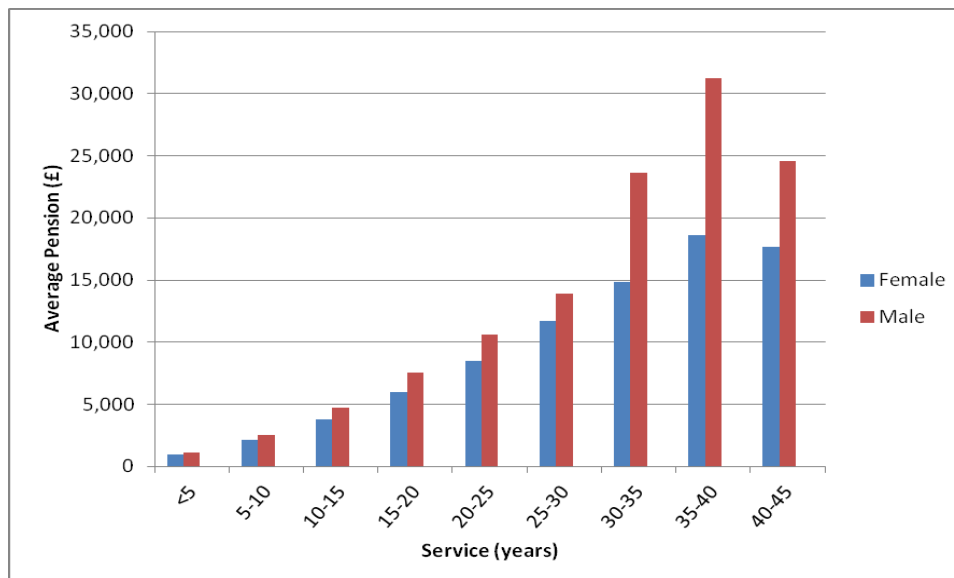
Reform of the NHS pension scheme

Chart 4 – Proportion of membership by average pay bands (data as at 31 March 2010)



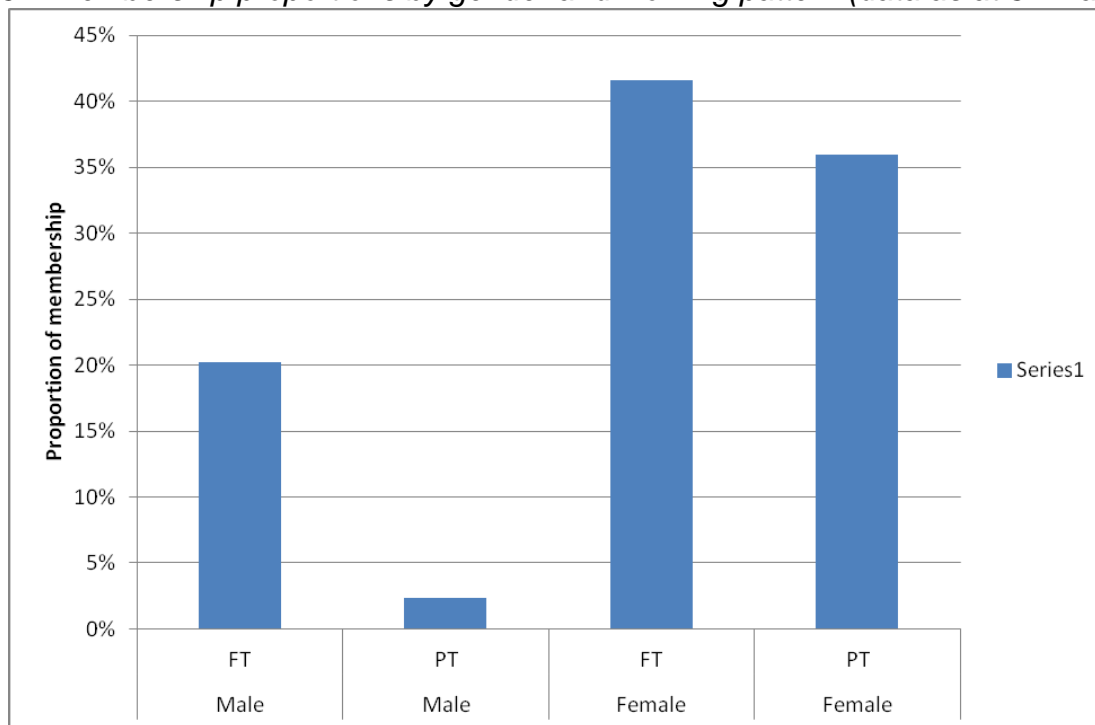
45. Chart 5 demonstrates that, on average, men receive higher pensions at retirement based on this higher pay.

Chart 5 – Average pension at retirement (retirements in 2011)



46. Chart 6 shows the splits of the workforce by gender and working pattern (ie full time or part time). It illustrates that the majority of members are females. A significant proportion (36% of the total workforce) is part-time females who will be on lower pay and lower pension.

Chart 6 – Membership proportions by gender and working pattern (data as at 31 March 2010)



47. The larger numbers of lower paid members will benefit to a greater degree through the fairer career average scheme design in respect of their share of the pension benefits paid out. Given the proportion of females in the NHS PS, the move to a career average scheme will result in a positive impact by redressing the disproportionate benefit that male colleagues could gain in a final salary scheme, where they tend to reach higher pay bands than females (as demonstrated in chart 4).

b) An accrual rate of 1/54th of pensionable earnings each year

c) Revaluation of active members' benefits in line with CPI + 1.5%

48. When exploring variations to the reference scheme based on the priorities put forward by unions, the Department undertook extensive modelling to assess the impact of various combinations of accrual rate and indexation. Extracts from that analysis are shown in the tables below.

49. The figures in the tables below show the average value of benefits earned over the next year's service under the different scenarios, expressed as a percentage of pay in that year. This is for members joining the scheme at the ages shown, with the different scenarios being illustrative of them having a full career in the NHS (and staying to normal retirement) or leaving after just 1, 10 or 20 years' service. The differences in the values reflect the differences in the length of time over which "in service" revaluation applies compared with the generally lower rate of "early leaver" revaluation.

Table 1: HMTs Reference Scheme – Accrual rate 60th and CPI +2.25% revaluation

Age	Average	Stayer ⁽ⁱ⁾	Leaver ⁽ⁱⁱ⁾		
			1 year service	10 years' service	20 years' service
20	10.4%	21.4%	7.5%	9.4%	11.6%
40	20.7%	24.4%	13.5%	16.8%	20.9%
60	26.4%	26.4%	23.2%		

(i) Assuming the member stays to retirement

(ii) Assuming the member stays for duration shown and then leaves with deferred benefits

Table 2a: NHS PS Reformed scheme – Accrual rate 54th and CPI +1.5% revaluation

Age	Average	Stayer ⁽ⁱⁱⁱ⁾	Leaver ^(iv)		
			1 year service	10 years' service	20 years' service
20	10.2%	16.5%	8.2%	9.5%	11.0%
40	20.1%	22.5%	15.0%	17.4%	20.2%
60	27.7%	27.7%	25.0%		

(iii) Assuming the member stays to retirement

(iv) Assuming the member stays for duration shown and then leaves with deferred benefits

Table 2b: Variant – Accrual rate 47th and CPI revaluation

Age	Average	Stayer ^(v)	Leaver ^(vi)		
			1 year service	10 years' service	20 years' service
20	9.4%	9.4%	9.4%	9.4%	9.4%
40	18.1%	18.1%	18.1%	18.1%	18.1%
60	32.7%	32.7%	32.7%		

(v) Assuming the member stays to retirement

(vi) Assuming the member stays for duration shown and then leaves with deferred benefits

50. The above tables show that younger members who stay in the scheme until retirement or for more than 20 years would be better off with a lower accrual rate and higher rate of in-service revaluation. Older members joining late and members who are likely to leave with short service are better off under a scheme design with a higher rate of accrual and lower in-service revaluation.

“Age” Analysis

51. Further to the information in the above tables, the modelling was extended to consider a range of NHS workers of different ages and at different stages of their careers. Projected pension figures were calculated using typical career paths. Specifically, the modelling looked at projected pension payments at retirement. This modelling informed a final decision on the accrual rate and revaluation factor. The resulting scheme design of a revaluation factor of CPI + 1.5% and an accrual rate of 1/54 was considered to provide the fairest balance for the majority of the membership across age ranges within the limitations of the cost ceiling.

“Gender” Analysis

52. Male officer members of the 1995 Section had about 13.6 full-time equivalent years’ pensionable service on average as at 31 March 2010 compared with about 11.0 years for female officer members. (The 2008 Section is too new for any meaningful comparisons to be drawn.) This means women can expect to accrue lower pensions than men, but this is proportionate to them having shorter careers in the NHS.
53. The comparison also suggests that women will receive the higher rate of in-service revaluation (CPI + 1.5% pa) for a shorter period than men. However, women are more likely to take short career breaks (eg to raise families, care for elderly relatives) and if they return within five years will have their two periods of service linked and the higher in-service rate of revaluation will apply across the two periods of service as well as the gap in between.

d) Normal Pension Age equal to State Pension Age, which applies to both active members and deferred members

54. Planned State Pension Age (SPA) increases are linked to current age and thus members of differing ages are expected to be impacted to a differing extent. SPA has historically differed for men and women although by 2018 SPA will be equal for both. Any member due to reach Normal Pension Age (NPA) before this date will be covered by transitional protection¹⁰ and thus inequality on these grounds is not considered further in this analysis. The analysis below explores the level of impact on different groups and mitigations in place.
55. Planned increases in SPA, and thus NPA, are as follows:

State Pension Age	Increase date	Age at 31 March 2010
Male 65, female increasing to 65	By 2018	57+
Increasing to 66	2018 - 2020	50-56
Increasing to 67	2026 - 2028	33-49
Increasing to 68	2044 - 2046	<33

The planned changes in SPA had their own Equality Impact Assessments¹¹.

¹⁰ Those within 10 years of their current Normal Pension Age at 31 March 2012 are protected from any change in Normal Pension Age. Those aged between 10 years and 13 years and 5 months of their current Normal Pension Age at 31 March 2012 are partially protected and will transfer to the new scheme between April 2015 and March 2022.

¹¹ See <http://www.dwp.gov.uk/docs/ia-state-pension-reform-09.pdf>, <http://www.dwp.gov.uk/docs/pensions-bill-2011-ia-annexa.pdf> and <http://www.dwp.gov.uk/docs/ia-increasing-state-pension-age-to-67.pdf>

Reform of the NHS pension scheme

“Age” Analysis

56. Members of the 1995 section have a NPA of 60, except for special class members who have retained the right to retire at age 55¹². Members of the 2008 section have a NPA of 65.
57. Chart 7 shows the projected age distribution of the scheme membership as at 31 March 2015 by NPA based on membership data as at 31 March 2010. It also identifies those members eligible for full protection and those eligible for tapered protection.
58. Table 3 shows the proportion of members anticipated to be in each section of the current scheme at 31 March 2015.
59. The analysis shows that around 60% of the membership will be in the 1995 section of the scheme and could be affected by the increase in NPA from age 60 (or 55) to align to their SPA. However many of these members will be covered by protection and will see no change (see next page). The affected members in this group range in age from their early 20s to mid 40s, i.e. those who will have a NPA of 67 or 68 under the reformed scheme (members over this age are fully or partially protected).
60. Note that protection is also extended to anyone in the protected groups who rejoins the scheme within 5 years of their leaving date. The protection of status for members returning within 5 years is an existing feature in the existing NHS PS and is an additional protection for those employees (largely female) who have to spend time out of the workforce whilst undertaking caring responsibilities.
61. Around 40% of the membership will be in the 2008 section. These members are generally younger than members of the 1995 section reflecting the scheme reforms introduced in 2008 that increased the NPA for new members to age 65 (and will also have a NPA of 67 or 68). Since their retirement age is already age 65 they will be affected to a more limited extent by the change in future NPA. The Department therefore recognise that the equality duty is an iterative process, and this equality analysis provides a solid basis upon which the Department will continue to reflect throughout the development phase of pension reform.

¹² Almost all special class members with the Normal Pension Age of 55 are within protection and will see no change in their Normal Pension Age.

Reform of the NHS pension scheme

Chart 7 - Projected membership at 31 March 2015 by Normal Pension Age and protection status

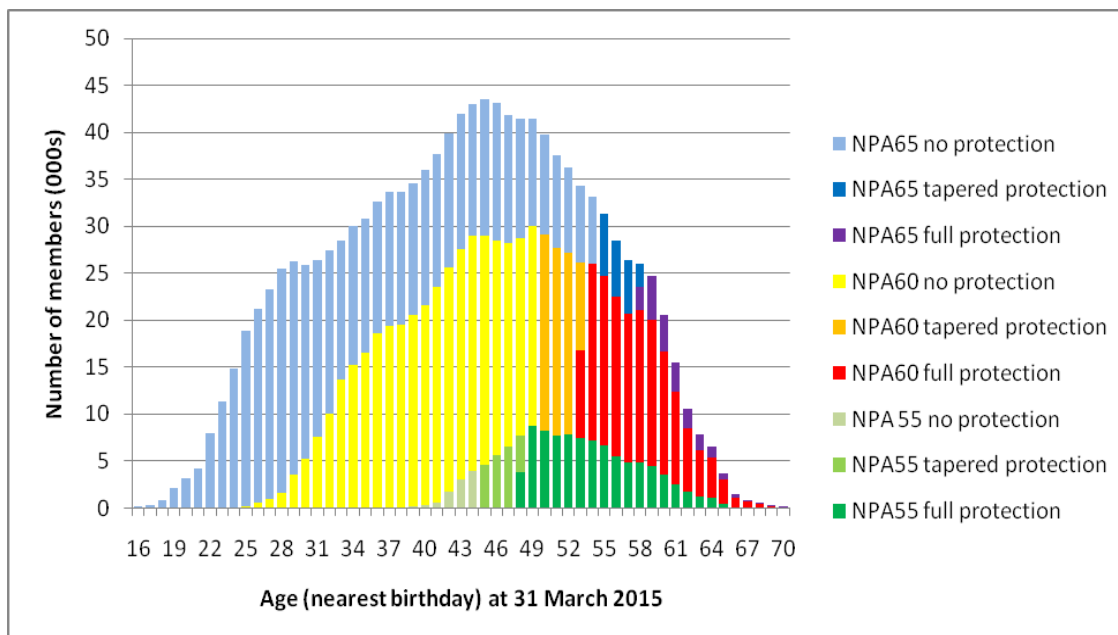


Table 3 - Estimated proportion of members by scheme section in 2015

	Percentage of total membership
1995 section	60%
2008 section	40%
Total	100%

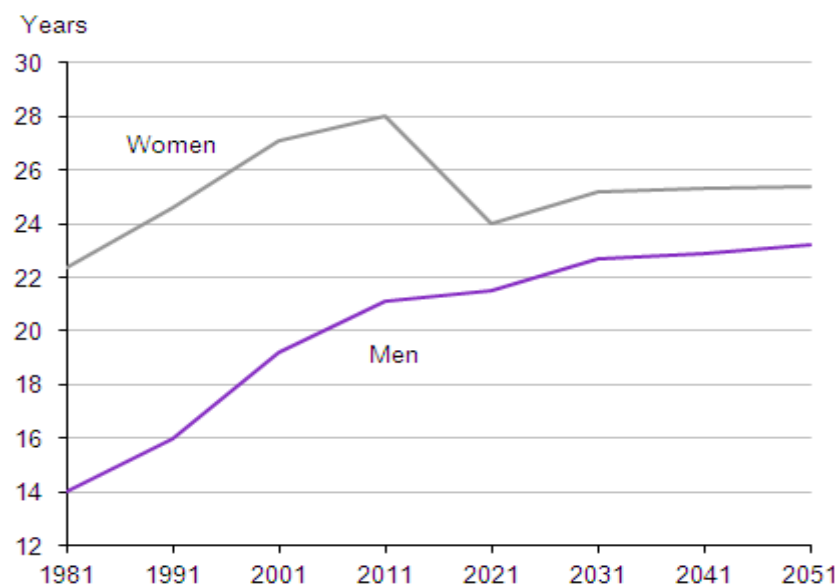
62. The analysis does indicate that the change to link NPA to SPA will impact a large proportion of the membership. The significance of the impact does though vary between those with an NPA of 60 (and the few unprotected members with an NPA of 55) and those with an NPA of 65. A proportion of the membership with an NPA of 60 could experience an eight year increase to their NPA, whereas the maximum impact on a proportion of the NPA 65 members would be a three year increase to their NPA.
63. Mitigation through the scheme reform transition protection will lessen the impact of the change on the population. It has been estimated that 25% of the membership as at 1 April 2012 will be fully protected. The vast majority of these are in the 1995 section with Normal Pension Ages of 55 or 60. A further 10% of the membership as at 1 April 2012 will be partially protected and will move to the new scheme after 2015. The policy of protecting older members is directly age discriminatory but may be objectively justified on the grounds that those nearing retirement are least able to change their retirement plans to accommodate changes in pension provision. There is further justification in that advantages gained by this older group are offset by less generous aspects of the 1995 section package. For example, pre-1988 service widower's pension is confined to

Reform of the NHS pension scheme

those who have bought extra cover, a principle acknowledged by judicial review, in the Cockburn case.

64. The reform agreement makes a commitment to the “Working Longer Review” to be undertaken in partnership with NHS employers and trades unions. This will seek to mitigate potential impacts of a later Normal Pension Age.
65. Further the change in NPA may be objectively justified by increasing longevity expectations of the membership. Chart 7 below illustrates how life expectancy at SPA has increased over recent years. The increases in SPA contained in the Pensions Acts 2007 and 2011 are intended to “correct” the imbalance to manage affordability. In fact the chart shows that between 2021 and 2051, life expectancy at SPA is still expected to rise slightly for both sexes. This is a result of a change in the assumptions made by ONS to predict future life expectancy compared to the assumptions used to determine the planned increases in SPA.

Chart 8 - Cohort life expectancy at State Pension Age, UK



“Gender” Analysis

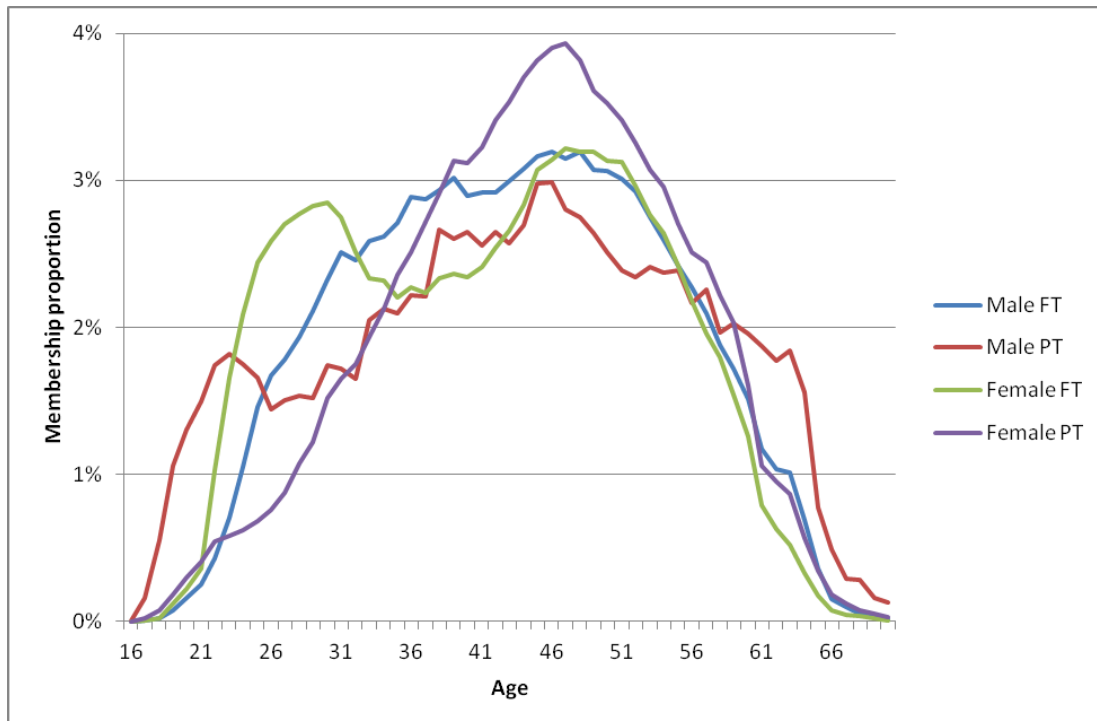
66. The change in NPA could have a more significant impact on men than on women, as pensions will be paid to men for a relatively shorter period of time compared with women. However, it has historically been the case that men have a shorter life expectancy than women and so the expectation of longer pension payments for women is not a material change from the current scheme. SPA does not treat men and women differently and NPA for the reformed scheme reflects this.
67. Furthermore the apparent benefit to women of receiving pension payments for longer than men may be offset by the fact that men in the NHS typically earn more than women

Reform of the NHS pension scheme

and therefore whilst they may receive pension payments for a shorter period, they are likely to be of higher value. This is evidenced in Chart 5 above.

68. Another compensating factor for male scheme members with partners is the availability of partner pensions within the scheme. Whilst male scheme members will on average live for a shorter period, the benefit available for their generally female partner will be available for a period on average longer than that for the male partner of a female member.
69. As the NHS workforce is predominantly female the change in NPA will affect more women overall, but proportionately relative to the proportion of women in the NHS workforce. To ascertain if there is any unanticipated disproportionate impact, it is necessary to consider if there is any difference in age distribution by gender. Chart 9 below shows the distribution of members by age, gender and working status. This indicates that there is little evidence of a disproportionate impact on either gender as the distributions are materially similar. The Department therefore recognise that the equality duty is an iterative process, and this equality analysis provides a solid basis upon which the Department will continue to reflect throughout the development phase of pension reform.

Chart 9: Distribution of members by age (data as at 31 March 2010)



e) Pensions in payment to increase in line with Prices Index (currently CPI)

f) Benefits earned in deferment to increase in line with CPI

70. The Government announced the change to the indexation of public service pensions as part of a wider announcement on the indexation of state benefits in June 2010. Indexation by CPI is therefore already part of current pension provision and this represents no change from the current arrangements.

g) Average member contributions of 9.8%, with some protection for the lowest paid

71. The Government made a commitment in relation to any increase in member contributions to protect the low paid by implementing a progressive approach, so that contribution rates are based on salary tiers. A separate Equality Analysis covering the implementation arrangements for increases to member contributions was undertaken in 2012-13, which concluded that the implementation arrangements for that year did not give rise to any significant equality issues¹³.

72. The increases in NHSPS member contributions for the reformed scheme remain based on salary bands with mitigation through tiering of any potential negative impact on groups with protected characteristics.

73. As demonstrated by Chart 2, pay levels generally increase with age due to career progression and thus, at an individual level, contributions may increase with age due to movement through the tier system. Despite this having varying impacts on different age groups in the NHS workforce, it is necessary to implement a progressive approach to meet the aim of maintaining the affordability of member contributions for the lower paid. Further, owing to the progressive nature of the income tax system, tax relief significantly flattens the impact of the tiered contribution structure in terms of individuals' net pay. The following tables illustrate:

- Table 4 - current, historic and indicative gross tiered member contribution rates for the NHSPS together with an alternative non-progressive rate for the reformed scheme reflected in the final column, if we did not follow a progressive contribution arrangement as set by HMT.
- Table 5 - net tax relief rates for members on differing rates of pay

¹³ See http://www.dh.gov.uk/en/Consultations/Responsestoconsultations/DH_131612

Table 4 - gross member contribution rates

Full-time equivalent pensionable pay	Contribution rate 2011/12	Contribution rate 2012/13	Indicative tiered contribution rates for reformed scheme	Non-progressive contribution rates for reformed scheme
<£15,000	5.0%	5.0%	5.0%	9.8%
£15,001 - £21,175	5.0%	5.0%	5.6%	
£21,176 - £26,557	6.5%	6.5%	7.1%	
£26,558 - £48,982	6.5%	8.0%	9.3%	
£48,983 - £69,931	6.5%	8.9%	12.5%	
£69,932 - £110,273	7.5%	9.9%	13.5%	
Over £110,273	8.5%	10.9%	14.5%	
Average	6.6%	8.8%	9.8%	9.8%

Table 5 - net rates of member contributions for example rates of pay

Full-time equivalent pensionable pay	Marginal tax rate	2011/12	2012/13	Reformed scheme	
		Contribution rate net of tax relief	Contribution rate net of tax relief	Indicative tiered contribution rates for reformed scheme	Non-progressive contribution rates for reformed scheme
£15,000	20%	4.00%	4.00%	4.00%	7.84%
£20,000	20%	4.00%	4.00%	4.48%	7.84%
£25,000	20%	5.20%	5.20%	5.68%	7.84%
£30,000	20%	5.20%	6.40%	7.44%	7.84%
£40,000	20%	5.20%	6.40%	7.44%	7.84%
£60,000	40%	3.90%	5.34%	7.50%	5.88%
£80,000	40%	4.50%	5.94%	8.10%	5.88%
£130,000	40%	5.10%	6.54%	8.70%	5.88%

74. The Department has committed to undertake separate Equality Analyses covering further contribution increases, and will ensure that trade unions are given an opportunity to inform that process. The process will also be informed by monitoring member opt out behaviour and will consider the protections (full and partial) being provided to older members, and the maintenance of the final salary link for service pre April 2015.

h) Commutation of pension to lump sum at a rate of 12:1

75. Commutation is an existing feature of the NHSPS that is open to all scheme members in pensionable service on or after 1 April 2008. Under the reformed scheme there is no change to the commutation rate of 12:1 at all ages. Commutation of pension to retirement lump sum is a voluntary option.

i) Flexibilities in 2008 section: early/late retirement factors in an actuarially neutral basis, draw down of pension on partial retirement and being able to retire and return to the scheme

76. These flexibilities are existing features of the 2008 section of the scheme and provide options which individual members may exercise on a voluntary basis.

j) Ill Health Benefits

77. Ill health benefits will only change for those qualifying for higher tier awards (with there being no change in the qualifying conditions). Under the reformed scheme the enhancement will be changed to 50% of prospective service to NPA rather than 2/3rds of this amount. The change is being made in light of the increase in NPA, which increases the underlying service on which the enhancement is based. Ill health benefits are available to all members of the scheme and so there is no active discrimination of any group. Two possible relevant considerations in relation to age are provided below.

“Age” analysis

78. It could be argued that ill health benefits serve a valuable function in mitigating any negative impacts arising from the increase in NPA for those members who may not benefit from the statistical trends of increasing longevity and improved health into later life. As such, they represent an example of the scheme actively promoting equality of opportunity for members of those protected groups who may be more likely to encounter ill health, such as older people.

79. The change in proportion of prospective service qualifying for benefit in conjunction with increase in NPA has greatest impact on younger members. Those with current NPA of 60 will be worse off under the new design if retiring on tier 2 health grounds before age 36; the age below which those with current pension age 65 will be worse off if retiring on tier 2 health grounds will vary between 56 and 62, depending on when they were born.

80. Any reduction of ill health retirement benefits is countered by the fact both the existing and reformed scheme tier 2 ill health benefits are of greatest value to younger scheme members. Although the reformed scheme may provide lower benefits for some younger members than under the existing provisions there is still an age benefit for younger members which has already been objectively justified.

Reform of the NHS pension scheme

k) Spouses and partner pensions to continue to be based on an accrual rate of 1/160th

l) Current arrangements for abatement to be retained

m) Lump sum on death in service to remain at 2 times actual pensionable pay

81. No change.

n) Flexibilities to pay additional contributions to reduce, or remove, early retirement reductions

“Age” analysis

82. Flexibilities to pay additional contributions are most likely to benefit older people who are closer to retirement. Chart 2 above demonstrates that pay increases with age and so older people are more likely to be able to afford to purchase additional pension. They are also less likely to have the other demands on their income that many younger members have, such as student loan repayments and the cost of young families. The desire to augment retirement income is typically an issue which older people can reasonably address as not only are they likely to have more disposable income, but they will also have greater certainty regarding their existing retirement savings.
83. The option to pay additional contributions can therefore be viewed as an example of the scheme reforms taking the opportunity to promote equality of opportunity for people with the protected characteristic of older age. This does not represent discrimination of younger people because as they get older it is reasonable to expect that their pay will increase as their outgoings decrease and they will be in the same position in relation to the affordability of additional pension contributions as current older members.

“Gender” analysis

84. Chart 5 above which shows pension at retirement by gender, and illustrates that women are likely to retire with smaller benefits and thus may be more likely to want or need to purchase additional pension. However chart 2 which shows pay by age and gender shows that at most ages women do not earn as much as men and therefore paying additional contributions may not be as affordable for them as it is for men (although it is acknowledged that it is likely to be more necessary). However, flexibility to pay additional contributions is an optional benefit. It doesn't impose differential equality of opportunity on men and women. Both have the opportunity to take advantage of this benefit. Any difference in opportunity to do so is likely to result primarily from women either not personally prioritising promotion (e.g. because of childcare responsibilities or other responsibilities) or having had less opportunity for promotion (e.g. because of gaps in service to care for children).

Reform of the NHS pension scheme

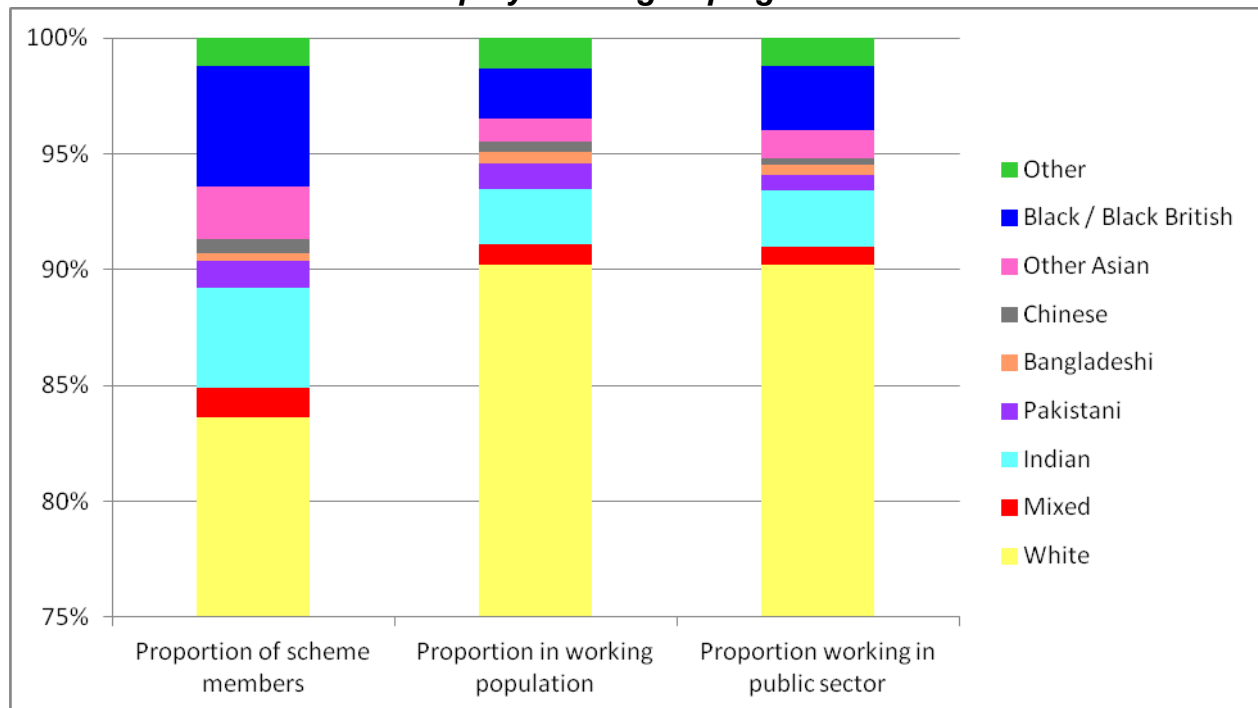
“Ethnicity” Analysis

85. Available scheme data has been analysed to assess the impact of the reforms by ethnic group. The data, which covers 55% of the scheme’s membership, shows ethnic minorities are more highly represented in the NHS than in the public sector or general UK workforce, as illustrated in Table 6 and Chart 10 below.

Table 6 – Scheme membership by ethnic grouping

Ethnic grouping	Proportion of scheme members	Proportion in working population	Proportion working in public sector
White	83.6%	90.2%	90.2%
Mixed	1.3%	0.9%	0.8%
Indian	4.3%	2.4%	2.4%
Pakistani	1.2%	1.1%	0.7%
Bangladeshi	0.3%	0.5%	0.4%
Chinese	0.6%	0.4%	0.3%
Other Asian	2.3%	1.0%	1.2%
Black / Black British	5.2%	2.2%	2.8%
Other	1.2%	1.3%	1.2%
Total	100.0%	100.0%	100.0%

Chart 10: Scheme membership by ethnic grouping



86. There is no direct discrimination in the reforms, but the data relating to scheme members has been analysed to check whether the scheme reforms may have an indirect discriminatory effect on members of minority ethnic groups through other protected characteristics (e.g. gender and/or age). The results of that analysis are shown in Table 7 below.

Table 7 – Ethnicity of scheme members by gender and average age

Ethnic grouping	Proportion female	Average age of males	Average age of females	Average age overall
White	80.9%	41.6	41.4	41.5
Mixed	73.7%	38.2	38.2	38.2
Indian	60.2%	39.9	38.9	39.3
Pakistani	54.1%	38.9	34.9	36.7
Bangladeshi	59.0%	36.2	32.6	34.1
Chinese	70.0%	38.2	40.5	39.8
Other Asian	65.8%	40.4	40.5	40.5
Black / Black British	77.0%	42.6	42.3	42.4
Other	62.8%	42.3	41.6	41.9
Total	78.8%	41.3	41.3	41.3

87. Table 7 illustrates that females from ethnic minorities are proportionally underrepresented in the scheme’s population and males are overrepresented (compared with 78% of members being female and 22% of members being male in the scheme’s population as a whole). However, the gender analyses throughout the rest of this Equality Analysis confirm that this does not have discriminatory effects.
88. Table 7 also illustrates, with possibly a couple of exceptions, there are no significant differences in age profile between ethnic groups. (Note however, that the relatively small size of certain of the ethnic minority groups limits the extent to which conclusions can be drawn.)
89. DWP’s Equality Impact Assessment¹⁴ covering the increase in the SPA explored whether there was evidence of any link between ethnicity and longevity. That assessment states that; *“Robust projections of life expectancy data by ethnicity are not available”* and that; *“While there are variations between ethnic groups in the prevalence of certain health conditions, there is no clear evidence that ethnicity itself plays a strong part in differences in life expectancy. There is stronger evidence that variations are likely to be primarily associated with socio-economic status”*.
90. In terms of ethnicity and religious equality issues, the NHS PS is able to split pension entitlement for polygamists where there is a valid marriage in another country. This provision was made in June 1989.

¹⁴ <http://www.dwp.gov.uk/docs/ia-state-pension-reform-09.pdf>

FURTHER EQUALITIES ANALYSIS COVERING: DISABILITY; MARRIAGE/CIVIL PARTNERSHIP; SEXUAL ORIENTATION/GENDER REASSIGNMENT; PREGNANCY AND MATERNITY; RELIGION OR BELIEF

Disability

91. Disability data is limited, and it is therefore difficult to draw absolute conclusions, however we know that there is relatively low proportion of the NHS Workforce declaring a disability.
92. The Department has considered the potential equality impact of scheme reform with regard to this characteristic in terms of the elimination of discriminatory conduct, the advancement of equality of opportunity, and the fostering of good relations between people who share the protected characteristic and those people who do not.
93. The Department considers that scheme reform does not discriminate against this particular group or adversely affect the advancement of equality of opportunity or fostering of good relations. The Department has considered whether the following scenarios specific to this group may impact this group:
 - the increased potential for the NHS staff with a disability to claim ill health retirement benefits. There is no evidence to suggest that NHS staff with a disability are more likely to claim ill health retirement benefits. In any case, as stated elsewhere in this analysis, ill health provisions under the reformed scheme will remain the same as those in the current scheme, with the only identified potential impact of change being in relation to age (i.e. more beneficial to younger members, with longer NPA). We will continue to monitor on an annual basis the available ill-health retirement data.
 - the potential that NHS staff with a disability are more likely to take breaks in service than those who do not have a disability. There is no evidence to suggest that this is the case, however, the impact of scheme reform on those NHS staff who take breaks in service is covered where relevant under the analysis for the main scheme provisions.
 - the possibility that prevalence of disability increases with age, and that the increase in the NPA therefore results in a disproportionate impact with regard to this characteristic. DWP's Equality Impact Assessment on the increase in the SPA¹⁵ indicates that the increase in the prevalence of disability only increases by 1% between the ages 65-69 compared to the ages 60-64. There is therefore no disproportionate impact. Enhanced early retirement factors would also mitigate against any potential impact for the NHS PS.

¹⁵ <http://www.dwp.gov.uk/docs/ia-state-pension-reform-09.pdf>

Marriage/Civil Partnership

94. There is no available data on this protected characteristic in relation to the NHS workforce. However, the Department has considered the potential impact of scheme reform with regard to this characteristic in terms of eliminating discrimination, advancing equality of opportunity, and fostering good relations between people who share the protected characteristic and those who do not.
95. The Department considers that no element of the proposed scheme design discriminates against those who are married or are in a civil partnership. The scheme reforms promote equality of opportunity as they apply irrespective of the marital status of the member. The NHS PS has recognised civil partnerships as well as marriage since 2005.

Sexual Orientation, Gender reassignment (including transgender)

96. Available data on these groups is limited, however, the Department has considered the potential equality impact of scheme reform with regard to these characteristics in terms of eliminating discrimination, advancing equality of opportunity, and fostering good relations between people who share the protected characteristic and those who do not.
97. The scheme reforms promote equality of opportunity in regards members with these protected characteristics, as the reforms apply irrespective of an individual's sexual orientation or transgender status. The NHS PS recognises partner pensions for both same sex and heterosexual relationships.

Pregnancy and Maternity (and Carers)

98. There is no available data on this group specifically in relation to the NHS workforce, However, the Department has considered the potential impact of scheme reform with regard to this characteristic in terms of eliminating discrimination, advancing equality of opportunity, and fostering good relations between people who share the protected characteristic and those who do not.
99. Matters that are relevant to this group such as 'breaks in service' are considered fully as part of the analysis of gender impacts. It is also important to note that, for the purposes of the calculation of pension benefits, a period spent earning statutory maternity pay is classed as pensionable employment and with that in mind there is no consequential impact on pension accrual.
100. Moreover, members taking a break in pensionable service of less than 5 years will retain the right to return to their original section, thereby mitigating the effect of the reforms on many of those who take unpaid leave.

Religion or Belief

101. There is little available data on this group specifically in relation to the NHS workforce. Nevertheless, the Department has considered the potential impact of scheme reform with regard to this characteristic, in terms of eliminating discrimination, advancing equality of opportunity, and fostering good relations between people who share the protected characteristic and those who do not.
102. The Department considers that scheme reform does not discriminate against this particular group or adversely affect the advancement of equality of opportunity or fostering of good relations.
103. In terms of a positive response to ethnicity and religious equality issue, the NHS PS is able to split pension entitlement for polygamists where there is a valid marriage in another country. This provision was made in June 1989.

DATA COLLECTION – future arrangements

104. The public sector equality duty to have due regard to equality impacts is an ongoing one. In a number of areas, such as the Working Longer review and the annual report to the Governance Group on ill-health retirement, we will continue to review this equalities analysis using the improving available information, so that suitable adjustments can be made if required.
105. If later work on equalities suggests that aspects of the policy need to be reconsidered in order to comply with the duty, the Department will be prepared to do so within the legal requirements.

This Equality Analysis has been developed by the following officials

Name	Organisation	Role
Julie Badon	DH	Senior Responsible Officer
Sue Vivian	Government Actuary's Dept	Actuarial Support
Brenda Hardcastle	DH – Equalities Team	Equalities advisor

The following members of the NHS Pension Scheme Technical Advisory Group have contributed to the development of this Equality Analysis

Andrea Hester	NHS Employers	Employer representative
Paul Deemer	NHS Employers – Equality Team	Equalities advisor
Gail Adams	UNISON	TU rep
Gerry O'Dwyer	RCN	TU rep

Annex C: Impact of working longer review group

TERMS OF REFERENCE

1. Context

The NHS Pension Scheme proposed Final Agreement includes the provision that in the new scheme, for pension accruals post-2015, Normal Pension Age should be set equal to State Pension Age. This will mean that each member will have an individual Normal Pension Age dependent on their date of birth. If there are further changes to State Pension Age, there will be an automatic link to change the Normal Pension Age of members of the NHS Pension Scheme by an equivalent amount in relation to the whole of their post 2015 service.

These changes may impact more on certain categories of staff within the NHS. As a result, it was agreed as part of the Heads of Agreement to set up a tripartite review between the Department of Health, NHS Employers and the NHS Trade Unions to address the impact of working longer in the NHS, with particular reference to staff in frontline and physically demanding roles including emergency services.

2. Purpose of this review

The main parameters of the proposed new scheme, as set out in the review partner's Heads of Agreement (December 2011), include the Government's proposal for the Normal Pension Age to be equal to State Pension Age.

This review is focused on the implications of NHS staff working longer. This review will include gathering evidence, seeking views from relevant stakeholders assessing impact, and, if necessary consideration of available options to mitigate implications of an older workforce

3. Governance

This review will be carried out in partnership with secretariat support provided by the NHS Employers organisation. The Review Group will provide:

- timely reports to the NHS Staff Council and the NHS Pensions Scheme Governance Group;
- make recommendations to the NHS Pension Scheme Governance Group and subsequently the NHS Staff Council, for consideration and ratification prior to submission to Health Ministers.

4. Group objectives

The objectives of the group are:

- Gather and examine current and emerging evidence to determine the impact of the whole workforce working to state pension age and any impact on the delivery of healthcare to patients and clients. This evidence should make comparison with UK wide population data and sector specific data;
- Highlight any equal pay/equality issues arising from the new scheme. Explore the option for employer funded contribution rates to offset the cost of early retirement for any potential staff groups identified as suffering detriment from working longer with particular reference to staff in frontline and physically demanding roles including emergency services;
- Engagement of relevant partnership bodies e.g. National Ambulance Strategic Partnership Forum, POSHH etc;
- Examine the potential impact of an older workforce on ill-health retirement, scheme costs and sustainability;
- Make an assessment of the implications of working to state retirement age on the NHS workforce;
- Identify incentives for positive employer practices and behaviours which support the development of age diversity practices in the NHS;
- Consider what strategies employers will need to put in place to support the extension of working lives. This would include health and well being and new career pathways for staff;
- Identify any categories of worker for whom an increase in Normal Pension Age would be a particular challenge in respect of safe and effective service delivery and consider how this may be addressed;
- Identify any categories of worker for whom an increase in Normal Pension Age would be a particular challenge in respect of their health and wellbeing
- Determine the scope of pension scheme design flexibilities to support staff working to state retirement age and in particular to support flexible retirement;
- Consider links between scheme flexibilities and the concept of total reward as described in the NHS Employers organisation briefing [Total Reward in the NHS](#). This briefing provides advice for employers on how to develop a total reward approach.

5. Group composition

It is proposed that the group composition is determined in discussion with the NHS Staff Council and its Executive. The scope of this review spans a number of work areas of the NHS Staff Council so the composition of the group may be better supported by the selection of management and staff side representatives from across the wider membership.

The secretariat for the review will be provided by the NHS Employers organisation.

6. Ways of working

It is proposed that:

- The group should commence meetings from March 2012;
- Meeting frequency should be reviewed following the completion of the Heads of Agreement;
- The group should meet either via teleconference or face to face where practical.

It is recommended that the impact of working longer should become a standing agenda item at future Scheme Specific Discussion meetings, enabling the review group to report back on progress and receive feedback from the wider group.

7. Key milestones/timescales

It is proposed that:

- Identify appropriate membership and scope initial work programme March/April 2012;
- Commission literature review/evidence gathering;
- Develop and agree assessment of impact on older workforce, identifying available options to mitigate implications as necessary;
- Review partner recommendations submitted to Department of Health by autumn 2012;
- Supporting products developed and implemented by March 2013;
- Support and monitor implementation, refining materials as necessary, in the run up to the introduction of the new pension arrangement in 2015.