Department of Health

# Reforming the NHS Pension Scheme for England & Wales

*Proposed Final Agreement*

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# Proposed Final Agreement

1. This document sets out the proposed Final Agreement on the scheme design for the reformed NHS Pension Scheme for England and Wales to be introduced in 2015. The Government have made clear this sets out their final position on the scheme design, which unions agreed to take to their Executives as the outcome of negotiations on scheme design. This includes a commitment to seek Executives' agreement to the cessation of any industrial action on pension reform whilst consulting with members. If the proposals are not accepted by a sufficient number of Trade Unions, the Government reserves its position on all aspects of this proposed scheme design.

2. This is the proposed Final Agreement which reflects the conclusion of discussions on the final details with NHS Trade Unions since the Secretary of State made his Written Ministerial Statement on pension reform, on 20th December 2011.[1]

3. There will be transitional protection:

   (a) 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 Mental Health Officers (MHOs) will continue to apply for staff who move to the new arrangements.

   (b) 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 55[2], will be able to defer their 2015 benefits but without the possibility of further accrual in the NHS Pension Scheme.

   (c) All active NHS Pension Scheme members in the 1995 arrangements with a current Normal Pension Age of 60 or 55, who as of 1 April 2012, have 10 years or less to their current Normal Pension Age or are over their current Normal pension age will have their future benefits protected[3]. This will be achieved by their remaining in the 1995 arrangements on their current benefit terms until they retire.

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[1] This document includes resolution of a number of design issues identified in Annex A of the Heads of Agreement published on 20 December 2011.
[2] Some staff in the 1995 Scheme 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.
[3] Including Mental Health Officers and those in special classes.

(d) Members in the 1995 arrangements who are within a further 3 years and 5 months of their current Normal Pension Age (i.e. up to 13 years and 5 months from their NPA), will have limited protection with linear tapering so that for every month of age that they are beyond 10 years of their current 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. Paragraph 4 also refers to these members.

(e) All active NHS Pension Scheme members in the 2008 arrangements who as of 1 April 2012 have 10 years or less to their current Normal Pension Age of 65, or are over 65 will be given protection by their being allowed to remain in their current arrangements until they retire. A tapered arrangement (on the same basis as (d) above) will apply to those within a further 3 years and 5 months of their current Normal Pension Age as of 1 April 2012. However, whilst these members are covered by protection, they will be given a one-off option to opt-out of protection and transfer to the new scheme in 2015. This opt-out is being made available because modelling of the impact of the new scheme on these protected members has suggested that the majority could be better off if they transfer to the new arrangements.

(f) 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, again retaining final salary linking. Members not covered by protection will be able to re-link their accrued rights to final salary on retirement if they return within five years. Those who return after more than 5 years will, as now, be offered the choice of converting their past service to the current scheme terms on a Cash Equivalent Transfer Value (CETV) basis or leaving it as an accrued benefit without final salary linkage.

(g) The anticipated costs associated with the protection outlined above in paras a-d and f sit outside the costs of the reference scheme. The cost of the choice exercise to opt out of protection is accommodated within the cost ceiling set for the reference scheme.

4. Currently the NHS Pension Scheme for England and Wales is completing the Pensions Choice Exercise to allow staff to choose to move their total pensionable service from the 1995 Section to the 2008 Section and to transfer to the 2008 section of the Scheme. This was to give staff who expect to be working for the NHS until they are 65 the opportunity to transfer to a more flexible scheme with a better accrual rate. It is recognised that the

implementation of the changes set out in this agreement, may mean that some members who chose to remain in the 1995 section and are not covered by full protection (as per paragraph 3(c) above), may wish to change their retirement plans and retire later. For this reason, these staff will be offered a second chance to transfer to the 2008 section for their service up to 2015 on the same conversion terms as originally agreed. This is likely to take place in 2013 or 2014. Those with full protection in the 1995 Scheme and those who have already chosen to move to the 2008 Scheme will not receive another Choice opportunity.

5. The main parameters of the new scheme are set out below.

(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 equal to the State Pension Age, which applies both to active members and deferred members (new scheme service only). If a member's SPA rises, then NPA will do so too for all post 2015 service (see Annex A). 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 Scheme'. [4] (subject to the detailed arrangements for determining future contribution structures set out in annex A);
(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 HMRC;
(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.

[4] 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.

(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 Normal Pension Age 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 Normal Pension Age. 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 Normal Pension Age of 68 or higher)[5].
(o) Added Years contracts in the 1995 section will continue on compulsory transfer to the 2015 scheme.[6]
(p) Additional pension arrangements will continue.[7]
(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
(r) An employer contribution cap as detailed in Annex A.

6. For the purposes of the reform process, the Government set out the gross cost ceiling of 21.9% and the net cost ceiling of 12.1% in “Public Service Pensions: Good Pensions That Last”, Cm8214. Attached at Annex B is a report by the scheme actuary verifying that the expected cost of the proposed scheme design above is within the cost ceiling. This report reflects the outcome of the policy requirement that total cash expenditure in each and every year should be no

[5] 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, 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.

[6] 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 Pension Scheme 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.

[7] 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.

higher for the protected groups than it would have been if no reform were to have taken place. This report has been prepared in accordance with the advice in the Government Actuary's Department's report of 7 October 2011: "Cost ceilings for Scheme Level Discussions: Advice on Data, Methodology and Assumptions".

7. The scheme design has been reviewed by HM Treasury who have agreed the approach taken to risk management.

8. This agreement also covers arrangements for an employers cost cap, the treatment of NPA following further changes to SPA, and a 25 year guarantee. These are set out in more detail at Annex A.

9. The NHS Pension Scheme will remain an important part of the overall reward package. A programme of work is already under way to communicate to members the value of the total reward package through annual total reward statements. Employers and the Department of Health remain committed to ensuring that the value of pensions are properly communicated to staff.

10. The Government agrees to retain Fair Deal provision and extend access to public service pension schemes for transferring staff. This means that all staff whose employment is compulsorily transferred from the NHS under TUPE, including subsequent TUPE transfers, will still be able to retain membership of the NHS Pension Scheme when transferred. These arrangements will replace the current provisions for bulk transfers under Fair Deal, which will no longer apply.

11. A partnership review will be carried out fulfilling the commitment to consider reforming the terms of access to the NHS Pension Scheme for England and Wales for staff working in AQPs, APMS services and for staff working in other services funded under the National Contract for NHS services. The terms of reference are at Annex D.

12. An Equality Analysis (EA) and formal Impact Assessment (IA) of this scheme design will be carried out in pursuance of the public sector equality duty, at s149 of the Equality Act 2010. This requires public bodies to:
    - have due regard to the need to eliminate discrimination;
    - advance equality of opportunity; and
    - foster good relations between different people when carrying out their activities.

13. The Department of Health is committed to completion of an EA and IA covering the scheme design for a reformed NHS Pension Scheme for England and Wales. In taking this work forward, the Department will consider the likely

equality impact of the scheme design changes and whether or how scheme design might be adjusted in furtherance of the three aims set out above. This process will involve full engagement with NHS Trade Unions, employers and other stakeholders. Given the need to ensure that these assessments are robust, it is acknowledged that the assessment process will need to continue beyond the final completion of this agreement. A description of this process is set out at Annex F.

# Annex A: Future increases to SPA

1. In the new scheme a member's Normal Pension Age (NPA) will be equal to their State Pension Age (SPA). Benefits earned in the new scheme will be calculated by reference to a member's State Pension Age/Normal Pension Age at the time they retire and draw benefits. On entry to the new scheme each member will have an individual Normal Pension Age but that Age will be subject to change in the period before they retire and draw benefits if the member's State Pension Age increases. This will apply to all post 2015 service.

2. The Government believes that the SPA should continue to keep pace with increases in longevity to ensure fairness between generations, and is considering the process that will be used to determine future changes to the SPA. This will be based on demographic evidence and allow for the views of interested parties to be considered. The Department for Work and Pensions consulted on this over the summer.

3. These changes may impact more on certain categories of staff within the NHS. As a result, it is agreed to set up a tripartite review between the Department of Health, NHS Employers and the NHS Trade Unions on addressing the impact of working longer in the NHS with particular reference to staff in frontline and physically demanding roles including emergency services. The terms of reference of this review are included at Annex C.

4. As recommended by Lord Hutton, the Government will keep under review the link between Normal Pension Age in the public service schemes and State Pension Age to determine whether the link between the two continues to be appropriate.

**Employer Cost Cap**

5. An employer cost cap will be introduced to cover unforeseen events and trends that significantly increase scheme costs. The employer cost cap is intended to provide backstop protection to the taxpayer and will be based on already agreed cap and share principles. This means that changes to contribution rates due to 'member costs' will be controlled by the cap. Financial cost pressures, including changes to the discount rate, will be met by employers. The employer cost cap will be symmetrical so that, if reductions in member cost fall below a 'floor', members' benefits will be improved.

6. The cost cap will include the impact of changes in costs such as actual or assumed longevity, changes to career paths or the age and gender mix of the

workforce. These costs cover all schemes (old and new) and all types of service (past and future) of active, deferred and pensioner members. Changes in actual and assumed price inflation and the discount rate will be excluded from the cost cap.

7. Scheme valuations will take place periodically to assess how the cost of the scheme has increased or reduced. In the event that member costs drive the cost of the scheme above the cap or below the floor, there will be a period of consultation with relevant groups, before changes are made to bring costs within the cap and floor. If agreement cannot be reached through consultation, the accrual rate will be adjusted as an automatic default.

8. The employer cost cap will be set at 2% above and the floor set 2% below the employer contribution rates calculated following a full actuarial valuation ahead of the introduction of the new scheme in 2015, to create a buffer. Caps will not be based on cost ceilings.

9. Government has not yet determined further detail on the operation of the policy of the cost cap, such as whether any adjustment would be intended to return scheme costs back to their original 2015 level, or to another level. The development of this detail will be carried out following further discussion with Trades Unions in due course.

**Employee Contribution Rates**

10. Tiering structures in 2013-14 and 2014-15, before the new scheme is introduced, will be discussed by the Department, NHS Employers and unions in the light of experience of opt-outs, other member behaviour and changing circumstances, and will reflect the Government's and unions' shared priorities for those structures to:
    - include protections for the low paid,
    - minimise the risk of opt-outs from the scheme across the whole membership; and
    - ensure that the scheme remains sustainable, a valuable part remuneration, and affordable to all members.

11. Final contributions structures across all unfunded public service pension schemes for 2013-14 and 2014-15 will meet the Government's spending review commitment.

12. The tiering structure in the new scheme will be considered by the Department, NHS Employers and unions following a further review. The review will cover the key priorities set out above, consider the final contributions structures for 2013-14 and 2014-15, and ensure the structure delivers the required yield of 9.8% of

total pensionable pay in the Scheme based on current forecasts. It will take account of the issues set out in paragraph 9 and also consider the differences in design between the pre 2015 and post 2015 schemes, having regard to such factors as the career average structure of the schemes post-2015 but with retention of final salary linkage for accrued service, and the 10 year protection.

13. The indicative tiering structure at Annex E is subject to the reviews and consultations described above, but based on current assumptions would meet the requirements set out above.

**25 year Guarantee**

14. The Chief Secretary to the Treasury set out to Parliament on the 2nd of November 2011 an offer on public service pensions that is fair and sustainable, and one that can endure for 25 years. This means that no changes to scheme design, benefits or contribution rates should be necessary for 25 years outside of the processes agreed for the cost cap. To give substance to this, the Government intends to include provisions on the face of the forthcoming Public Service Pensions Bill to ensure a high bar is set for future Governments to change the design of the schemes. The Chief Secretary to the Treasury will also give a commitment to Parliament of no more reform for 25 years.

# Annex B: Scheme Actuary's report

GOVERNMENT ACTUARY'S DEPARTMENT

**Review of National Health Service Pension Scheme**
**Verification of cost of final scheme design**

Date: 8 March 2012

Author: Sue Vivian

Review of National Health Service Pension Scheme

- Verification of cost of final scheme design

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## 1 Introduction

1.1 This report has been prepared by the Government Actuary's Department (GAD) in its capacity as actuarial advisor to the Department for Health (DH) on the National Health Service Pension Scheme ('the NHS Pension Scheme'). In carrying out this verification I have followed our normal quality processes for work conducted for public service pension matters[1].

1.2 This report contains our advice on verifying that the new scheme design is within the cost ceiling and sets out the data, methodology and assumptions used in determining the value of the Reference Scheme and the new scheme design. This report does not comment on the Government's commitment that most low and middle earners working a full career should receive benefits at least as good as those they get now.

1.3 As instructed, a copy of this report has been provided to HM Treasury.

1.4 The data, methodology, assumptions and final scheme design described in this report have been approved by HM Treasury.

[1] The GAD Statement of Understanding sets out the standards which the Department currently applies for any work carried out in this area.
http://www.gad.gov.uk/Documents/Occupational%20Pensions/GAD_Statement_of_Understanding_v_1.1_Dec_2011.pdf

## 2 Verification statement

2.1 The Chief Secretary to HM Treasury set out in a paper to Parliament *Public Service Pensions: good pensions that last*, Cm8214, the gross cost ceiling for the NHS Pension Scheme of 21.9% and the net cost ceiling of 12.1%. The gross cost ceiling is the scheme specific contribution rate required to provide the Government's preferred design ('the Reference Scheme') set out in that command paper.

2.2 Following scheme level discussions, the Secretary of State for the Department of Health has set out the final scheme design for the NHS Pension Scheme for service from 1 April 2015. The new scheme design is attached at Appendix A.

2.3 GAD provided advice to HM Treasury on cost ceilings for scheme level discussions in the note of 7 October 2011 titled *Cost ceilings for scheme level discussions – Advice on data, methodology and assumptions*. Section 8 of that note provided advice on verifying that proposed pension scheme designs are within the cost ceiling. This report has been prepared in accordance with the advice in the 7 October 2011 document and subsequent HM Treasury instructions (see paragraph 3.4).

2.4 I have compared the cost of the new scheme design set out in Appendix A with the Reference Scheme set out in the command paper, Cm8214, and concluded that the new scheme design is within the required cost ceiling. This conclusion is subject to the comments below.

2.5 The conclusion in paragraph 2.4 is dependent on, and sensitive to, the data, methodology and assumptions adopted. These are set out in Section 3 and discussed in Section 4.

2.6 The data, methodology, assumptions and new scheme design described in this report are subject to approval by HM Treasury based on advice from GAD in its capacity as advisor to HM Treasury. HM Treasury have confirmed to DH that they are content with the data, methodology, assumptions and new scheme design.

2.7 The costs of both the new scheme design and the Reference Scheme will change over time. HM Treasury have specified that the comparison should allow for the likely increase in average age of the scheme's membership due to increased pension ages. I have considered the possible increase in the average age of the membership and conclude that, allowing for this effect, the costs of the new scheme design set out in Appendix A are still within the costs of the Reference Scheme as set out in the command paper. This comparison is discussed in section 5.

2.8 Limitations on our advice are described in section 6.

## 3 Data, methodology and assumptions

3.1 This section sets out the data, methodology and assumptions used for the purposes of comparing the Reference Scheme with the new scheme design.

3.2 The cost ceilings were set in accordance with the data, methodology and assumptions set out in my report of 16 September 2011 titled *Review of National Health Service Pension Scheme - Assessment of cost ceiling and scheme-specific proposals : Data, methodology and assumptions.* The data used is summarised in Appendix B. The key assumptions are summarised below.

**Key assumptions**

> A real discount rate of 3% pa

> A nominal discount rate of 5% pa

> Inflationary earnings increases of 4.25% (an age related promotional scale is also assumed)

> Price inflation (based on the Consumer Price Index) of 2% pa

> Improvements in life expectancy in line with the ONS 2008 based principal population projections

> Proportion of pension commuted in exchange for a lump sum of 75% of HMRC limits

> All age retirements occur at Normal Pension Age (NPA)

> Other demographic assumptions set as best estimates

3.3 The cost of the protection announced within Cm8214, and modified as set out in Appendix A, for members within 10 years (or less) of their current Normal Pension Age at 1 April 2012 including that for the 'tapering' group within 10 to 13.5 years of their current Normal Pension Age, is treated as being outside of the cost ceiling calculations.

3.4 The final agreement provides for the following additional flexibilities.

> Members of the 1995 section will be offered a second opportunity to transfer their service up to 2015 to the 2008 section. HM Treasury have instructed DH that an additional cost of £0.1bn, spread over the transitional period as set out in GAD's note of 7 October 2011, should be added to the cost of the new scheme design before that cost is compared with the cost ceiling.

> Members of the 2008 section who are in the scope of protection (as mentioned in paragraph 3.3) will be offered the opportunity to opt into the new scheme in 2015. HM Treasury have agreed that an additional cost of 0.01% should be added to the cost of the new scheme design before that cost is compared with the cost ceiling.

> Members with existing added year or added pension contracts will be permitted to draw accrued benefits at the contract end date rather than upon their retirement. HM Treasury have instructed that an additional cost of £0.03bn, spread over the transitional period as set out in GAD's note of 7 October 2011, should be added to the cost of the new scheme design before that cost is compared with the cost ceiling.

3.5 I confirm that after taking account of the additional flexibilities set out in paragraph 3.4 the statement given in paragraph 2.4 remains valid.

3.6 With regard to the second flexibility mentioned in paragraph 3.4 HM Treasury have indicated that should this exercise result in additional cashflows in excess of the following amounts a corresponding adjustment will be made to DH's budget.

| Year | Additional cashflow limit £m |
|---|---|
| 2015/16 | 0.1 |
| 2016/17 | 0.3 |
| 2017/18 | 0.6 |
| 2018/19 | 1.0 |
| 2019/20 | 1.7 |
| 2020/21 | 0.4 |
| 2021/22 | 0 |

3.7 Both the reference scheme and new scheme are assumed to have the same contracting out status.

## 4 Sensitivity analysis

4.1 The conclusion in paragraph 2.4 is sensitive to the assumptions used. The key sensitivities are as follows:

> Earnings growth relative to inflation. If earnings growth exceeds inflation by less than the assumed margin of 2.25% then the cost of the new scheme design will be in excess of the cost ceiling. The converse is also true in which case there would be some saving to tax payers as the cost of the new scheme design would be lower than the cost ceiling.

> Withdrawal rates. The new scheme design is expected to be less favourable to those members who remain in service for long periods than to those who work for shorter periods relative to the Reference Scheme. Thus, if the rate of withdrawals proves to be higher than assumed, the cost of the new scheme design could exceed the cost ceiling.

> Ill Health assumptions. The proportion of higher tier awards may be lower (or higher) than assumed. If a smaller proportion of higher tier awards are made than expected then the new scheme design could exceed the cost ceiling and the cost of the reference scheme.

## 5 Comparison of costs in the longer term

5.1 Paragraphs 8.21 to 8.23 of GAD's note to HM Treasury of 7 October 2011 provide that if any benefit design options are proposed in which the comparison of costs differs in the short term and the long term, then HM Treasury could consider the issues arising on a case-by-case basis (paragraph 8.23).

5.2 The data used for the comparison is the membership data as at 31 March 2008 when most members had a Normal Pension Age of 60. Hence this data includes relatively fewer active members aged over 60 (because of retirements) than might be expected in the future in the new scheme which has much later Normal Pension Ages.

5.3 HM Treasury have specified that the comparison should allow for the likely increase in average member age due to the increased pension ages under the revised scheme design. The future membership age profile is uncertain. For simplicity, I have performed a comparison which assumes the average age of the membership[2] increases by three years.

5.4 I conclude that, allowing for this effect, the costs of the new scheme design set out in Appendix A are still within the costs of the Reference Scheme.

[2] Average age of active members at 31 March 2008 was 43.2 years.

## 6 Limitations

6.1 A number of limitations apply to the comparisons made and the conclusions reached in paragraphs 2.4 and 2.7. These are described below.

**Verification statement**

6.2 The purpose of this report is to provide HM Treasury with the requested statement verifying that the cost of the final scheme is within the cost ceiling.

6.3 This report has been produced on the basis of the comparisons requested by HM Treasury, namely:

- on an ongoing basis comparing the Reference Scheme with the final scheme structure
- on a long term basis comparing the impact of an increase in the average age of the scheme membership
- sensitivity testing in accordance with assumptions directed by HM Treasury.

6.4 The costs compared for this report will inevitably differ from the ultimate costs of the Reference Scheme and final scheme for reasons such as:

- the membership data used to calculate the costs for the purposes of this report will differ from the actual scheme membership to which the scheme will apply in future. The relative weighting of older and younger members in future may impact on how the costs of the Reference Scheme and final scheme compare in the longer term
- the outturn will differ from the assumptions made. In particular the current assumed gap between the revaluation rates in service for the Reference Scheme and the final scheme may not be maintained in practice resulting in the cost of the two scheme structures diverging over time,

The above list is not exhaustive

**Data, methodology and assumptions**

6.5 The cost ceiling and the comparison are sensitive to the data, methodology and assumptions adopted.

6.6 HM Treasury have agreed the data, methodology and assumptions for purposes of the comparison.

### Third party reliance and liability

6.7 This report has been prepared for the Department of Health. I am content for the Department of Health to release this report to third parties (including HM Treasury, other public service schemes, trades unions and respective scheme actuaries), provided that:

> it is released in full
> the advice is not quoted selectively or partially, and
> GAD is identified as the source of the report

6.8 Third parties whose interests may differ from those of the Department of Health should be encouraged to seek their own actuarial advice where appropriate.

6.9 This report has been prepared for the Department of Health for the purpose of providing HM Treasury with verification of the cost of the final scheme design from 2015. No person other than the Department of Health, or third party other than HM Treasury, is entitled to place any reliance on the contents of this report, except to any extent explicitly stated herein, and GAD has no liability to any person or third party for any act or omission taken, either in whole or in part, on the basis of this report.

## Appendix A: Final scheme design

1. The main parameters of the new scheme are set out below.

a. A pension scheme design based on career average;
b. An accrual rate of 1/54th of pensionable earnings each year;
c. Revaluation of active members' benefits in line with CPI plus 1.5% per annum;
d. A Normal Pension Age equal to the State Pension Age, which applies both to active members and deferred members (new scheme service only). If a member's SPA rises, then NPA will do so too for all post 2015 service. Pre-2015 accrued rights will continue to be related to existing NPAs as will any benefits accruing post 2015 to protected members;
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. Average member contributions of 9.8%, with tiered contributions;
h. Optional lump sum commutation at a rate of £12 of lump sum for every £1 per annum of pension foregone in accordance with HMRC limits and regulations;
i. The current flexibilities in the 2008 section: early/late retirement on an actuarially neutral basis, draw down of pension on partial retirement and ability 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 salary;
n. For members wishing to retire before their state pension age there will be an opportunity to pay additional contributions to fund earlier retirement of up to 3 years early without an actuarial reduction[3];
o. Added Years contracts in the 1995 section will continue on compulsory transfer to the 2015 scheme;
p. Additional pension arrangements will continue;
q. The operation of the Public Sector Transfer Club will be subject to further consideration and discussion between schemes.

[3] This will be subject to an earliest unreduced pension age of 65. Contributions will ordinarily be payable by members but there will also be a provision for employer funding. Where members make earlier retirement contributions, e.g. for retirement from age 65, but subsequently choose to retire at a different date benefits will be actuarially reduced or enhanced to take full account of the extra years of earlier retirement bought.

2. There will be transitional protection:

   a. 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.
   b. 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 55[4] , will be able to defer their 2015 benefits but without the possibility of further accrual.
   c. 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 Normal Pension Age. This will be achieved by allowing such members to remain in their current arrangements until they retire.
   d. 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 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.
   e. 2008 section members will also be subject to protection but they will be offered a one off opportunity to opt into the new scheme in 2015 if they prefer.
   f. 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.
   g. The costs associated with the protection outlined above in paragraphs 2a - 2d and 2f are outside the cost ceiling. The costs of 2e have been taken into account within the cost ceiling.

3. The NHS Pension Scheme is currently completing the Pensions Choice Exercise to allow staff to choose to transfer their total pensionable service from the 1995 Section to the 2008 Section of the Scheme. It is recognised that the implementation of the changes summarized above may mean that some members who chose to remain in the 1995 section, and are not covered by full protection, may wish to change their retirement plans and retire later. For this reason, these staff will be offered a second chance to transfer to the 2008 section for their service up to 2015.

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[4] 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.

## Appendix B: Summary of data used for the purposes of this report

| Valuation group | Number of members[5] 000 | Total pensionable pay[6] £m | Average pensionable pay £ | Average age (unweighted) | Average age (salary weighted) | Average reckonable service[7] yrs | Average accrued pension[8] £ |
|---|---|---|---|---|---|---|---|
| 1 | 75 | 2,403 | 31,852 | 43.3 | 44.8 | 12.2 | 6,067 |
| 11 | 306 | 6,350 | 20,735 | 43.5 | 43.5 | 8.9 | 3,157 |
| 2 | 11 | 475 | 42,504 | 49.5 | 50.0 | 27.6 | 15,136 |
| 12 | 20 | 654 | 31,863 | 48.9 | 49.1 | 24.4 | 10,799 |
| 3 | 44 | 921 | 20,786 | 46.4 | 46.2 | 11.7 | 3,471 |
| 13 | 44 | 618 | 13,973 | 45.1 | 44.2 | 6.4 | 1,557 |
| 5 | 109 | 4,955 | 45,365 | 40.3 | 43.8 | 9.2 | 8,000 |
| 15 | 352 | 8,358 | 23,735 | 39.1 | 39.6 | 6.0 | 2,542 |
| 7 | 20 | 2,219 | 110,539 | 48.8 | 49.3 | - | 32,303 |
| 17 | 16 | 1,173 | 71,021 | 44.4 | 45.9 | - | 16,682 |
| 8 | 10 | 624 | 56,970 | 43.3 | 43.8 | - | 14,591 |
| 18 | 6 | 297 | 42,623 | 38.4 | 38.7 | - | 6,939 |
| 9 | 8 | 288 | 32,109 | 47.2 | 47.2 | 21.1 | 8,988 |
| 19 | 144 | 3,817 | 26,493 | 47.9 | 48.2 | 18.8 | 7,715 |
| 10 | 2 | 68 | 23,572 | 47.6 | 48.8 | 5.5 | 2,380 |
| 20 | 85 | 1,179 | 13,796 | 47.9 | 48.3 | 6.0 | 1,609 |
| **All male** | **282** | **11,952** | **42,232** | **43.4** | **45.6** | **11.7** | **9,010** |
| **All female** | **976** | **22,445** | **22,994** | **43.1** | **43.3** | **9.3** | **3,816** |
| **All** | **1,259** | **34,397** | **27,318** | **43.2** | **44.1** | **9.8** | **4,984** |

[5] Membership records for 1,098,000 members were used, with uprating to the total headcount of 1,259,000. The data used were thus 87% complete overall.
[6] The salary shown is the actual salary for the time worked. For officers (non-practitioners) actual salary represents 97% of whole time equivalent salary for males and 83% for females.
[7] Reckonable service is not applicable to practitioner groups whose benefits are calculated on a CARE basis.
[8] Around £10m of total accrued CARE pension rights held by officers relating to past service as a practitioner were valued in addition.

| Valuation groups – description | | Group |
|---|---|---|
| Administrative and managerial staff not in GP practices | Men | 1 |
| | Women | 11 |
| Non-manual MHOs (including those not yet doubling service) | Men | 2 |
| | Women | 12 |
| Manual staff | Men | 3 |
| | Women | 13 |
| Clinical staff not in any other group | Men | 5 |
| | Women | 15 |
| Medical Practitioner | Men | 7 |
| | Women | 17 |
| Dental Practitioner | Men | 8 |
| | Women | 18 |
| Nurses, physiotherapists, midwives and health visitors with special class status. | Men | 9 |
| | Women | 19 |
| GP practice staff (except Practitioners and those with special class status who are included in the appropriate groups above). | Men | 10 |
| | Women | 20 |

# 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 an 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.

# Annex D: Partnership review of access to the NHS Pension Scheme

## TERMS OF REFERENCE

### 1. Context

The NHS Pension Scheme Heads of Agreement contained provision for continuation of the Fair Deal on Public Service Pensions by allowing staff transferring from the NHS under TUPE to retain membership of the NHS Pension Scheme. As part of the pension announcement made by Danny Alexander, the Chief Secretary in the House of Commons on the 20th December 2011, he stated that "the Government will consider what practical options might be available to reform the terms of access to the NHS pension scheme, in particular for NHS staff who move to a non-NHS Any Qualified Provider delivering NHS service."

The Heads of Agreement included provision for a partnership review of the implementation of the (access under Fair Deal) provisions for staff working in "any qualified provider" (AQP) to be carried out. The background to the Chief Secretary's announcement and the review was the recognition that the roll out of competition "in the market" through AQP would mean that in future NHS staff might potentially move to non NHS providers not through TUPE but through the effects of competition. Lack of access to the NHS pension scheme for non NHS AQPs may also act as a barrier to entry by making it difficult to recruit experienced staff.

Work is on-going between the Department of Health and HM Treasury to ensure the full implications of this are properly understood and could be effectively managed. The key HM Treasury concerns are that any extension of access should not increase risk to the taxpayer and a need to understand the possible implications for extending the Government's balance sheet and the associated fiscal implications.

### 2. Governance and Timescales

The review will be carried out under the auspices of the Social Partnership Forum Staff Passport Sub Group. The NHS Pension Scheme Governance Group will be kept informed of progress and will sign off the outcomes of the Review before they are reported to the Secretary of State for Health. The initial phase of work is expected to be completed by the end of March 2012.

Following the completion of the initial phase, further work will be required to model the fiscal impacts of different models as the proposals are developed. It is envisaged that there will be the need for further work by the Staff passport Group as the approach to improving access is developed. All aspects of scoping and analysis of the options by this review will be concluded by September 2012. However, as any change to terms of access to NHS pensions may impact on the Government's balance sheet, the timescale and scope of any potential next steps will be subject to other fiscal considerations that Treasury Ministers need to take into account. Any recommendations will also need to be considered in light of wider developments across the NHS provider landscape.

## 3. Objectives of the Partnership Review

The review will inform the discussions between the Department of Health and HM Treasury to implement the Chief Secretary's statement on 20 December, recognising that access to the NHS Pension Scheme is a matter for the Secretary of State with the agreement of HM Treasury.

The review should:

- Be based on fair playing field principles to support plurality of provision in the NHS;
- Bring together evidence to understand risks and limitations within the current system;
- Identify and develop workable options that could enable wider access to the NHS PS for staff working in AQPs, APMS services and for staff working in other services funded under the National Contract for NHS services (for example, where commissioners have used outsourcing, procurement or tender routes), while ensuring that access to the NHS Pension Scheme is aligned to the provision of NHS services;
- The group will consider a range of options as to the most appropriate and practical terms under which access should be granted, and under which access should be limited. These will include consideration of the following options. This is not an exclusive list and further options may be developed:
  - An approach where there is no reform to the current access to the NHS Pension Scheme;
  - An approach where access is linked to provision of AQP and other NHS services by the staff concerned for only those who have active membership of the NHSPS and is limited by reference to the organisation's NHS turnover (or other appropriate and practical limit);
  - An approach where access is linked to provision of AQP NHS services by the staff concerned (where there is no requirement of previous membership to the NHSPS) and is limited by reference to the organisation's NHS turnover (or other appropriate and practical limit).
- Consider potential behavioural effects and incentives on different provider groups;

- Ensure the potential new arrangements can be practicably implemented by AQPs and other appropriate providers and are achievable through regulations;
- Ensure the potential new arrangements consider how to limit opportunities for avoidance / manipulation while being monitored, managed and maintained through current pension administration processes;
- Determine the degree of retrospection for the application of new arrangements;
- Examine whether employers admitted to the NHS PS under these arrangements should offer membership to all qualifying staff;
- Examine whether there should be a framework making access to the NHS Pension Scheme a term of business for AQPs and other appropriate providers;
- Carry out an initial assessment of the potential impact on the Government's balance sheet of different options, and identify clear and robust mechanisms to ensure that financial risk to the taxpayer is limited;
- Address the issue of limiting final salary risk in relation to accrued rights and those with protection of their current arrangements;
- Risk assess proposals and options against workforce and system factors
- Make recommendations on the position of qualifying staff of AQPs and other appropriate providers who are members of the NHS Pension Scheme and are transferred under TUPE to another provider;
- Identify an appropriate monitoring system providing assurance that employers comply with the terms of access a quality assurance provision so that where employers do not follow the Regulations as required this can quickly be identified and the employer is held responsible;
- Consider the potential implications for other Government schemes, and ensure that options fit within wider public service pension policy;
- Carry out an equality impact assessment of the different options;
- Consider the interaction between options for reforming access in this review and access for staff under fair deal transferring from the NHS.

## 4. Access Partnership Review Group Composition

It is proposed that the group is constituted with the following representative:

- Staff Side (including representatives from the NHS Pension Scheme Governance Group)
- NHS Employers including
- Department of Health (secretariat) , HM Treasury (as observers)
- Government Actuary's Department
- NHS Pensions Agency

Secretariat to be provided by Department of Health.

## 5. Ways of Working

It is proposed that:

- The Access Partnership Review Group meets on as required from the end January to the end of March 2012;
- Meeting frequency should be reviewed;
- The group meet either via teleconference or as part of Staff Passport group meetings where practical.

It is recommended that work of this review Group should be a standing agenda item at future Scheme Specific Design and Staff Passport meetings enabling this group to report back on progress and receive feedback from the wider groups.

## Annex E: Indicative Contribution Rate Structure after Implementation of 3.2% Increase in Contributions

| Full-time equivalent pensionable pay | % of pensionable pay in the band | Est. no. of members in band '000 | Contribution rate (before tax relief) 2011/12 | 2012/13 | | 2013/14 | | 2014/15 | | Contribution rate increase by 2014/15 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Contribution rate (before tax relief) | Contribution rate increase | Contribution rate | Contribution rate increase | Contribution rate | Contribution rate increase | |
| Up to £15,000 | 3% | 100 | 5.0% | 5.0% | 0.0% | 5.0% | 0.0% | 5.0% | 0.0% | 0.0% |
| £15,001 to £21,175 | 13% | 330 | 5.0% | 5.0% | 0.0% | 5.3% | 0.3% | 5.6% | 0.3% | 0.6% |
| £21,176 to £26,557 | 11% | 200 | 6.5% | 6.5% | 0.0% | 6.8% | 0.3% | 7.1% | 0.3% | 0.6% |
| £26,558 to £48,982 | 43% | 540 | 6.5% | 8.0% | 1.5% | 9.0% | 1.0% | 9.3% | 0.3% | 2.8% |
| £48,983 to £69,931 | 7% | 55 | 6.5% | 8.9% | 2.4% | 11.3% | 2.4% | 12.5% | 1.2% | 6.0% |
| £69,932 to £110,273 | 13% | 60 | 7.5% | 9.9% | 2.4% | 12.3% | 2.4% | 13.5% | 1.2% | 6.0% |
| Over £110,273 | 11% | 35 | 8.5% | 10.9% | 2.4% | 13.3% | 2.4% | 14.5% | 1.2% | 6.0% |
| **Contributions as % payroll:** | | | **6.6%** | **8.0%** | | **9.2%** | | **9.8%** | | **3.2%** |
| **OBR Nov 2011 estimated payroll £bn:** | | | | **38.36** | | **39.03** | | **39.47** | | |
| **Additional yield £bn:** | | | | **0.530** | | **1.023** | | **1.260** | | |

| Full-time 2010/11 pay | 2011/12 | 2012/13 | | | 2013/14 | | | 2014/15 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Contribution rate net of tax relief | Contribution rate net of tax relief | Increase in contribution rate net of tax relief | Additional cost (£ per month) | Contribution rate net of tax relief | Increase in contribution rate net of tax relief | Additional cost (£ per month) | Contribution rate net of tax relief | Increase in contribution rate net of tax relief | Additional cost (£ per month) |
| £15,000 | 4.00% | 4.00% | 0.00% | 0 | 4.00% | 0.00% | 0 | 4.00% | 0.00% | 0 |
| £20,000 | 4.00% | 4.00% | 0.00% | 0 | 4.24% | 0.24% | 4 | 4.48% | 0.24% | 4 |
| £25,000 | 5.20% | 5.20% | 0.00% | 0 | 5.44% | 0.24% | 5 | 5.68% | 0.24% | 5 |
| £30,000 | 5.20% | 6.40% | 1.20% | 30 | 7.20% | 0.80% | 20 | 7.44% | 0.24% | 6 |
| £40,000 | 5.20% | 6.40% | 1.20% | 40 | 7.20% | 0.80% | 27 | 7.44% | 0.24% | 8 |
| £60,000 | 3.90% | 5.34% | 1.44% | 72 | 6.78% | 1.44% | 72 | 7.50% | 0.72% | 36 |
| £80,000 | 4.50% | 5.94% | 1.44% | 96 | 7.38% | 1.44% | 96 | 8.10% | 0.72% | 48 |
| £130,000 | 5.10% | 6.54% | 1.44% | 156 | 7.98% | 1.44% | 156 | 8.70% | 0.72% | 78 |

# Annex F: Public service pension reforms: equality impact assessment

The Government takes its obligations to have regard to equality impacts very seriously, and this commitment was reiterated by the Chief Secretary to the Treasury in his letter of 15 February 2012 to the General Secretary of the TUC. The Government has confirmed that the responsible Departments will undertake Equality Impact Assessments (EIAs) for each of the reformed public service pension schemes before the legislation enacting the schemes is introduced. The Government is committed to conducting assessments that are transparent and as robust as possible as part of a genuine and serious process to identify and have due regard to equalities impacts, as required by the Equality Act 2010.

A working group met on Tuesday 6 March 2012 to discuss the overall approach to the Equality Impact Assessments, establishing principles and timescales for how they should be carried out. The group was chaired by the Cabinet Office and included officials from the Treasury, Government Equalities Office and the lead departmental officials for the three large unfunded schemes. Union participants were drawn from the TUC negotiating team.

Following the discussion on 6 March it was proposed that the following approach should be adopted:

- The equality impact assessments will be conducted by the relevant sponsoring departments. In addition, the Government will conduct a central analysis in order to compare and assess the impact across all of the schemes.
- The timescale for the assessment is pressing, and the process must be completed in good time to allow the analysis to influence decision making and the conclusion of the policy development process, prior to the introduction of legislation. Departments will therefore aim to complete the EIAs by the end of May 2012.
- The Government will then complete the central analysis over the following four weeks.
- The central working group will meet in June to discuss the analysis and consider any further action.

The EIAs should be conducted in a way that demonstrates compliance with the public sector equality duty and good practice guidance from the Equality and Human Rights Commission (EHRC). The EIAs must assess the impact of the reforms on all of the relevant equality strands.

In line with the EHRC guidance, the process of conducting the EIAs should consider:

- What are the key findings of the engagement? i.e. Based on the evidence gathered, what if any positive and negative impacts of the changes can be identified for people with any particular characteristics?
- If the policy has negative impacts on people with particular characteristics, what steps can be taken to mitigate these effects?
- Does any part of the policy discriminate unlawfully?
- Does the policy miss opportunities to advance equality of opportunity and foster good relations?

Stakeholders including the relevant unions should be engaged and consulted from the outset, including on the scope and methodology for the assessment. Unions will have the opportunity to submit evidence and views on equality impact and the Government will seek feedback on the analysis and reasoning during the process and share the results of the EIAs with unions. Departments should also be given access to GEO/EHRC support in conducting the assessments.

Following the completion of the EIAs, in having due regard to its findings, the Government will consider what further mitigating actions might be necessary in pursuance of the public sector equality duty. The next steps including any mitigating actions will be discussed with unions, prior to the introduction of legislation.